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By Marking Controlls

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FT No. 31,333
• THE FINANCIAL TIMES LIMITED 1990

CHILE'S FORESTS

Too much of a chip feast

Page 10

Wednesday December 19 1990

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World News

Nato warns Soviet Union on European defence data

Nato ministers warned the Soviet Union that the submission by Moscow of incorrect data on its military forces and equipment in Europe could delay ratification of last month's agreement on conventional forces cuts in Europe. Page 16

Haitian results Officials in Haiti said there would be no need for a run-off to decide the country's next president because radical priest Father Jean Bertrand Aristide appeared to have won about two thirds of the votes.

Party goes legal Albania's Democratic party applied for legal registration as the first non-communist party in the Balkan country for 46 years. Britain and Altiania opened talks with a view to restoring diplomatic ties broken off in 1946.

Order on race US president George Bush ordered the Education Department to allow race-based schol-archips to colleges and univer-sities. Page 4

Basques open talks The moderate Basque Nationalist party began coalition con-tacts with other nationalist groups after talks with the Socialists on forming a new regional government collapsed.

Talwan scandal

Taiwanese prosecutors charged 81 people in connection with a multi-billion dollar underground bank scandal that mperilled the savings of hundreds of thousands of small investors. Page 6

Power discussed Power-sharing talks opened in Romania between the government and the opposition

East German protest Berlin students took to the streets to protest against the planned closure of scores of university faculties, accusing the government of a witch the former Communist east.

Indian judgment India's Supreme Court reserved judgment on challenges to a \$470m compensa-tion settlement for victims of the world's worst industrial accident, the 1984 Union Car-

bide disaster in Bhopal. Soviet Jews quit **Hundreds of anxious Soviet** Jews, fearing the door is about to be slammed shut, are dashing to Germany to escape anti-semitism and poor living

Ethiopian famine

The Ethiopian government and Eritrean rebels agreed to open a rebel-held Red Sea port for the first time in 10 months, marking a breakthrough for famine relief to millions of

Polish split President elect Lech Walesa's favoured candidate for prime minister abandoned talks on forming a new government because of "important differ-

ences" with the new leader. ANC return

African National Congress President Oliver Tambo returned to his home township for the first time after 30 years' exile.

Poll denounced Yugoslavia's state presidency denounced as unconstitutional in Slovenia and asked the federal government to take mea-

sures to preserve national integrity. Analysis, Page 14 Tortelier dies French cellist Paul Tortelier died of a heart attack at his home near Paris. He was 76.

Japan growth likely to fall to 4.1%, says **OECD** report

Business Summary

Japan's economic growth will slow next year from an annual 63 per cent in 1990 to 4.1 per cent, according to the Organi-sation for Economic Co-opera-tion and Development.

tion and Development.
Continuing growth in spending by Japanese consumers will generate increases in output and employment, the OECD says, but also urges continuation of efforts to create a more open economy by further deregulation, particularly in agriculture and the land market. Page 18

MARKETS: Nikkel average moved up on news of a slowing of money supply growth and renewed hopes of lower interest rates to close at the high of 24,424.02, up 336.11 on sub-dued activity. Frankfurt traded sideways in thin volume after Monday's drop of more than 3 per cent, but the DAX index recovered slightly to close 1.54 up at 1,477.31. Wall Street; hopes of a cut in interest rates sent share prices on a upward trend in early trading, with the Dow Jones Industrial Average 17.57 up at 2,510.89 at 1.30pm. Stock Markets, Back page, Section II

WORLD Bank notes a "signifi-cant and unsustainable" rise in developing countries' reliance on official debt and warns that the Gulf crisis is imposing a "severe burden" on many developing countries. Page 16. Details, Page 4; Escape from the debt trap, Page 14

BRAZIL is to partially lift its 18-month debt moratorium in an apparent change of strategy reflecting the country's desper-ation to end its isolation from the international financial community. Page 16

BAHRAIN: unusual \$580m export credit arrangement for an aluminium smelting projan aluminium smelting project, secured against contracts for future deliveries of aluminium, has been agreed by a group of banks with guarantees by export credit agencies of Germany, France, UK, Italy and Belgium. Page 3

CZECHOSLOVAKIA concluded a trade and economic agree-ment with the Soviet Union for 1991 after a bitter row over oil supplies. Page 3

PEUGEOT, French car group which also embraces Citroën, is due to sign a joint venture contract in Paris to make Citroën's newest model in Hubei, China. Page 3

PILKINGTON, UK glass maker, signed a letter of intent with Poland's Sandomierz glass works jointly to build a \$140m float glass plant there. Production start-up is planned for early 1994, Page 3

NORTH Sea: threat of strikes next year by construction and maintenance workers receded through in their campaign for recognition. Page 8

R.H. MACY, highly leveraged US department store group, said existing investors agreed to subscribe for \$119m of new preferred stock in its private equity offering. Page 20

ARGENTINA is to sell off some 150 federally owned companie next year, in a continuation of its aggressive privatisation policies, Page 28 HONGKONG Bank of Canada

bucked the trend of its parent and fellow subsidiaries with a near 40 per cent increase in profits to C\$48.7m (\$41.9m) for the year. Page 20 INTER-AMERICAN Development Bank maintained its recent high profile in the inter-national bond market by

CS First Boston, troubled New York-based investment bank, completed restructuring which will inject \$315m of new equity into the firm and give CS Hold-

EC postpones meeting with Iraqi foreign minister

THE European Community uary 15. It was not a mani-

postponed a scheduled meeting with Mr Tariq Aziz, Iraq's foreign minister, yesternay following the failure of Iraq and the US to agree on a date for him to meet President George Bush in Washington.

The decision was taken after a two-day meeting of Nato foreign ministers, at which the Alliance strongly reaffirmed its demand that Iraq should respect the United Nations resolutions calling upon it to withdraw from Kuwait by Jan-

AMNESTY International, the London-based human rights group, today details 38 methods of torture it says Iraqis have used in Kuwait, including mock executions, sever-ing tongues and giving electric shocks. Details, Page 6

give the Iraqis the impression that there were any disagree-ments between members of the western alliance over the pol-icy to be pursued towards Iraq. However, Mr James Baker, the US secretary of state, had earlier appeared to endorse the meeting between Mr De Mich-

elis and Mr Aziz, due to have taken place today.

Mr Baker said the US supported any diplomatic efforts aimed at reaching a peaceful solution of the Gulf crisis, even though a US-fraqi meeting had

courage is mixed messages," he said at a press conference after the Nato meeting.

Mr Baker added that he was completely confident that any message given to the Iraqis by any member of the US-led coalition in the Gulf would fully respect the UN resolu-tions on Iraq.

All the Nato members, including those from the EC, had staunchly backed those

alternative dates suggested for Mr Aziz's proposed visit to The postponement of the EC-lraqi contacts does not affect

the decision in principle to hold a meeting between Mr De Michelis and Mr Aziz at a more appropriate time.

The intention is still to go ahead with it immediately after Mr Aziz's visit to Wash-

ington, if and when it takes resolutions.

Mr Baker said the Iraqis had
not yet accepted any of 15 place. Continued on Page 16 Middle East, Page 6

Soviets lack budget for 1991

By Leyia Boulton in Moscow

THE Soviet republics served notice yesterday that they would not be steam-rollered into a union treaty with the Kremlin as fierce fiscal wran-gling left the Soviet Union without a proper budget for

The "budget war" between the Kremlin and Soviet repub-lics over how to tax and share out wealth has come to a head as the republics have made clear they plan to renegotiate every aspect of their relation-ship with the centre on equal

The Soviet government was on Monday forced to adopt a stopgap budget for the first quarter of 1991 without waiting for parliament to approve

spending proposals for the whole year. But this, too, has has already become a subject of bargaining with the republics. Talks were said to be under way last night between Russia and the central

Over the next week, President Mikhail Gorbachev will attempt to persuade republics to go along with the stop-gap budget and honour centrally planned supply agreements

between enterprises and repub-

budget" presented to parlia-ment last month by Mr Valentin Pavlov, the Soviet finance minister, leaves republics the freedom to set their own bud-gets after making contributions to central government.

His budget proposed central spending of Rbs261.2bn with an expected deficit of Rbs20bn. But objections from republics to the proposed budget, com-bined with the fact that the Supreme Soviet ran out of time to continue discussions, mean that approval of the full-year budget will have to wait until

While the new budget struc-ture recognises the need for greater republican rights, the centre and republics have not yet formally agreed on how to divide responsibilities and resources. At least four republics do not even want to be part of a new union treaty for a revamped confederation of sovereign states. Continued on Page 16 Bank predicts deep downturn in E Europe, Page 2



Looking for support: Mikhail Gorbachev at yesterday's meeting of Congress

Central Asia republics turn on Gorbachev

SOVIET President Mikhail ing a growing rebellion from once loyal union republics in Central Asia, while a delegation from Moldavia became the third to storm out of his Congress of People's Deputies. And his idea for a national referendum, republic by republic, on whether to preserve the Soviet Union itself, was dismissed as "useless" by Mr Boris Yelixin, president of the Russian federation, and the Russian federation, and his greatest political rival.

three more bombs exploding in Riga, Latvia, prompting accusations by officials that the Communist party and the Soviet army are behind a campaign of "provocation."

At the Congress of Deputies, the congress of Deputies,

the super-parliament, the majority of deputies from Mol-davia marched out to join Lithuania and Armenia in a boycott. They were protesting at the presence of leaders of two breakaway Moldavian Soviet leadership's refesal to have a special debate on the

president of Estonia's parlia-ment, told a hushed assembly of his republic's determination to leave the union and its deci-sion to nominate no more deputies to the Supreme Soviet, the standing parliament. Yet the greatest possible shock to Mr Gorbachev, battling to win support for a new from the signs of a common front in Central Asia, where the republics are demanding to dictate the shape and pow-ers of the new national state. Mr Islam Karimov, leader of the Uzbekistan Communist party and president of its par-liament, threw his weight behind Mr Nursultan Nazarbayev from neighbouring Kaz-akhstan in rejecting the way Mr Gorbachev was seeking to

lay down the treaty.

tion. But we do not accept the way this union treaty is being drafted from above. The republics, getting together, must decide which rights and powers should be delegated to the

The Soviet leader is now pinning his hopes on the plan for a nationwide referendum, which will ask voters if they want to preserve the union, planned for this winter.

Citicorp cuts payout, raises loan reserves

By Martin Dickson in New York

CITICORP, the largest US banking group, yesterday amounced plans to slash its annual dividend by 44 per cent and said it expected to make a loss of \$300m to \$400m in the fourth quarter after increasing its reserves for problem loans. It is also preparing a big new round of job cuts.

The announcement, which follows an annual inspection of its books by national bank examiners, underlines the impact of real estate and other bad loans on leading US com-

The proposed dividend cut, from \$1.78 on an annual basis to \$1.00, will be put to next month's board meeting. Citicorp said it reflected "marketplace realities" and was part of a plan to increase capital and improve ratios.

Following the examiners' inspection, it is to increase its reserve for commercial loan losses by \$340m in the fourth

losses by \$340m in the fourth quarter, an increase of \$250m over the third quarter.

As part of a restructuring programme, it will take an additional \$300m charge in the fourth quarter. The result of all these actions is that it greatly in report a fourth quarter. expects to report a fourth quar-Tension in the outlying regions which want their own union treaty and sweeping "We are for the union profit for 1990 of \$400m \$500m.

The republics is growing, with independence, and at the new presidential powers, came treaty. We are for the federal that companies with a second of the federal treaty. \$498m in 1989.

The restructuring involves staff cuts of about 8,000. But of these 3,600 have been made in 1990 and 1,850 relate to periph-eral businesses that are to be discontinued or sold. The bank said the restruct-

uring would result in annual cost savings of more than \$800m, fully visible in 1992, or approximately \$500m net of revenues lost from discontin-uing certain businesses.

US price inflation figures fuel hope of easier monetary policy

CONSUMER price inflation moderated in the US last month, the Commerce Depart-ment reported yesterday. The announcement brought relief to financial markets and

feeled speculation that mone-tary policy might soon be eased further to support the flagging economy.

The Federal Reserve's open market committee met yes day to discuss monetary policy after Mr Nicholas Brady, the Treasury secretary, said at the weekend that there was ample scope for interest rate cuts. Merchandise trade figures released yesterday were less encouraging. The deficit widened markedly in October, rising to \$11.6bn against a revised \$9.3bn in September, giving the biggest monthly shortfall in

launching a Y35bn issue, lead-managed by Daiwa, the day's only new issue. Page 21 nearly three years. The increase was only partly caused by higher oil imports. Consumer prices rose 0.3 per cent in November, less than half the average monthly increase of 0.7 per cent in the three months to October, ing of Switzerland majority prompting a modest rise in share and bond prices on Wall control. Page 21

Street. The Dow Jones Indus-trial Average was up 16.58 to 2,609.90 in early afternoon trad-

Prices have risen at an annual rate of 6.4 per cent so far this year. Last month's improvement mainly reflected a sharp reduction in energy price inflation, although weakness in the retail sector also led to a 0.2 per cent drop in the cost of clothing. The index for energy commodities fell 0.3 per cent, having risen 29 per cent in the three months to October following Irag's investor of following Iraq's invasion of

Kuwaii, Excluding food and energy, "core" consumer prices rose by 0.3 per cent for the third month running.

However, most of the infla-tion is confined to the services sector. The index for commodities less food and energy showed no increase in November and has risen only 3.1 per cent in the past year. The October trade deficit

and exports both hit monthly highs in cash terms. Imports rose to \$46.4bn from \$41.3bn in September while exports increased \$2.8bn to \$34.8bn.

Mr Robert Mosbacher, com-merce secretary, warned that monthly data were subject to wide fluctuations. He said annualised figures for January to October were encouraging, with the non-petroleum deficit with the non-petroleum deficit running at \$48.7bn compared with \$64.7bn in 1989 and reflected the "growing competi-tiveness of American goods." Imports of petroleum prod-ucts at \$7.2bn were \$1bn higher than in September and \$2.6bn higher than the mortible sweet

higher than the monthly average for the first three quarters. But October's trade deterioration also reflected a \$1.4bn rise in the non-oil deficit. Imports of manufactured

goods were particularly buoy-ant, rising \$6bn to \$37.2bn. There were big increases in imports of capital goods, con-sumer goods and cars.

surprised analysts who had The trade deficit for the first been looking for a shortfall of no more than \$10bn given the economy's softness. Imports nine months was \$85.9hn compared with \$92.7hn for the same period last year.

FT-SE 100:

2161.8 (+3.9)

FT Ordinary: 1694.2 (+4.0)

FT-A All-Shares

1039.03 (+0.1%)

New York kuncht

2,611.14 (+17.82)

DJ Ind. Av.

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STOCK INDICES

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Tokyo 13th December 1990

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dealing Spenish family business: Chill wind fans the __ 12 Editorial Comments Escape from the debt trap; Passengers must come first Europe's financial services: Slow emergence of a single market

and inflamed feelings rife Yugoslavia's prime minister, Ante Markoylc, is an obstinate man. He persists in pushing ahead with reforming his country's economy, in spite

Stock Markets . 31-33 MARKETS New York is

\$1,935 (1,927) DM2,8725 (2,865) FF19,7825 (9,8075) SF12,4575 (9,8075) Y257,75 (256,75) **GOLD** New Yerk: Comex Feb

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New York km FFr5.061 SFr1.2705 DM1.484 (1.487) FFr5.055 (5.09) SFr1.27 (1.2755)

DOLLAR

\$ Index (60.9) Tokyo cicsa: Y133.03 US kmohtime rates Fed Funds 7条% 3-mo Treasury yield: 6.93% Long Bond: 1063

Tokyo: Nikkei **LONDON MONEY** Mar 893 (894)

327.98 (+1.96) 24,424.02 (+338,11) closing 14½-14%(14¾)

AERZBANK

of obstacles from

every direction.

GM looks

elsewhere?

as Slovak

talks lag.

By Kevin Done, Motor Industry Correspondent

GENERAL MOTORS, the world's leading car-maker, is turning its attention to sites in both west and east Europe to build a \$250m-\$350m transmission plant following inconclusive talks with the Slovak government.

ernment.
The talks on the establish

ment of transmission manufac-turing and vehicle assembly operations at the Bratislavské Automobilové Závody (BAZ)

plant in Bratislava, had been going on since November, and GM said yesterday that it had decided to investigate alternative sites in Europe.

Discussions with the Slovak

government are continuing, but GM said yesterday that it had not been possible to reach

had not been possible "to reach agreement to date on several important issues." It is understood that the main stumbling block is the level of state financial support.

GM is coming under acute time pressure, as the gearboxes are required for GM cars planned to be in production from 1992/93. The plant would manufacture up to 250,000

manufacture up to 250,000 transmissions a year largely for export to GM car assembly

manufacturing sites in Europe. It currently produces transmis-

plants in west Europe. It is now reviewing a possi-ble expansion at its existing

EC agrees to new safety rules for part-time workers

EUROPEAN EMPLOYMENT ministers yesterday agreed to grant all temporary and part-time workers the same health and safety conditions as full-time workers but persisted in blocking more ambitious measures that would improve the benefits and terms of employment of such workers. Yesterday's meeting displays the difficulty that the Commis-

sion is having in getting adopted its more important measures under its "social action pogramme". A Commission official said

the agreement was "a small step in the right direction but minsters expressed dismay at both the substance and the form of two more ambitous

These would provide all the same terms of employment - contracts, holidays, social security, training and so on - to all workers working more than an 8 hour week. The health and safety directive is not expected to require substantial changes in the laws of most EC countries, where such workers already enjoy protection, so that the agreement yesterday was not seen as any great achievement.

The aim of the other proposals is to ensure that temporary and part time workers are not discriminated against.

However, the effect would be to increase the cost of their social security and other benefits - an outcome that has been strongly opposed by employers. The UK govern-ment estimates that if imple-mented, it would cost employ-ers an extra £lbn (\$1.93bn) a

year. EC officials said yesterday that these proposals were likely to remain deadlocked until the Treaty of Rome was changed to allow social mat-ters to be passed by a qualified majority of member states rather than by unamimity. However, the UK would be likely to block any such exten-sion

The Commission tried to put forward one of the part time workers' directives under a qualified majority vote, on the grounds that competition within the single market was

terday objected strongly to this, suggesting that the Commission may have to back down on the issue.

Bank predicts deep downturn in E Europe

By Anthony Robinson, East Europe Editor, in London

WESTERN investors should be prepared for some form of mili-tary-backed regime in the Soviet Union and a "far deeper and longer economic downand longer economic down-turn" than generally expected in east Europe, according to the latest Eurostrategy analy-sis by Morgan Stanley. In a review of the global implications of the crisis in

east Europe and Latin Amer-ica, the bank says unemploy-ment could reach 14m, or 21 per cent of the working popula-tion in eastern Europe, and 30m-40m in the Soviet Union

"The west has to accept that an adequate social safety net for eastern Europe is likely to cost \$270bn-\$370bn over the next five years," the review

prospects in the Soviet Union the report says: "Perestroika is likely to fail shortly and be replaced by one of four options:
a radical national salvation
government backed by the
younger military officer corps,
a conservative coup by senior
officers, a military-backed,
half-hearted economic reform government under an increas-ingly "bonapartist" President Gorbachev, or "chaos". This vision of a Soviet Union

"poised between coup or chaos" presented by Mr David Roche, head of the equity research department, is backed up by contributions from Prof

Alec Nove and Prof Andrei Amkin of the Moscow Institute of World Economy.

Prof Anikin compared Mr

Gorbachev's Moscow to the last days of the Kerensky last days of the Kerensky regime in 1917, a vision shared by high-ranking US government and other western officials concerned about the stability of the Soviet government at a time when the Gulf crisis is nearing its expected peak. The report sees the next few years "as the darkest hour before dawn" for eastern Europe but with the possibility of an upswing from 1994 "if of an upswing from 1994 "if these countries stick to the economic reform packages announced, and accelerate pri-vatisation of property owner-

Mr John Wellemeyer, oil analyst, estimates that with oil at \$30 a barrel, eastern Europe will have to pay \$17.3bn more win have to jay \$17.50n more for it next year, imposing a severe deflationary shock which will lead "to defaults in the servicing of hard-currency

Morgan Stanley said that the need to raise savings rates in the developed world by 2-3 per cent of GDP to finance develop-ment of Latin America and ment of fath America and
eastern Europe was the main
reason behind the cyclical
alowdown in world economies.
This would keep real interest
rates high and growth in the
Anglo-Saxon world low for sev-



Pensioners' food parcels: A Soviet official, right, checks pension books in Leningrad yesterday before handing out food parcels sent by citizens of Hamburg, Germany. Basic foodstuffs remain in short supply in the major Soviet cities.

Bonn delays decision on road tolls

THE German government has duce annual motorway tolls, to help cover the costs of unity, pending clearance from the EC, writes David Goodhart.

The government has sig-nalled its intention to charge both domestic and foreign users DM100 (\$66) a year for cars, DM1,000 for buses and DM2,000 for lorries. That intention has released howls of criticism from motor-

ing organisations and more subdued complaints from other

Unlike France, Italy and Spain, Germany currently makes no charge for using motorways. The proposed toll would raise about DM5bn a year to be used for new road building in east Germany.

Mr Volker Rühe, Christian

Democrat general secretary, said yesterday that the ECcompatibility of such a levy had to be checked but added that it would be unacceptable to impose the toll on German drivers alone.

The government also seems intent on pressing ahead with an extra levy of DM5bn on the state owned telephone author-

ity, Telekom.

The Telekom management has protested that it already hands over about DM6bn a year and that the extra DM5bn would have to come from

higher charges.

The sharp fall in industrial production in east Germany in July and August appears to have been halted in September and October according to pre-liminary figures from the Eco-nomics Ministry in Bonn. In September, production rose 2.5 per cent on the previous month and in October it rose 1 per cent. Nonetheless, comparing October 1990 with the previous year, production fell by nearly 50 per cent thanks to falls of 35 per cent in July and 14 per cent in August.

Danish coalition faces squeeze

A short life is being widely predicted for the narrow minority coalition government formed by Mr Poul Schlüter, the Dan-ish prime minister, following last week's general election,

writes Hilary Barnes.
Mr Schlüter, always an optimist, said he saw no reason why the coalition between his own Conservative party and the Liberals should not survive for three or four years, although it controls only 59 seats in the 179-seat parliament. But the government faces a three-way squeeze. The opposition Social Democrats, who gained 14 seats for a total of 69, are ambitious to get back into office. The small centre parties read

this gain, together with the loss of five Conservative seats, as meaning voters want the parties to co-operate across the left-right divide, and their support for the new government is

Meanwhile, the populist Progress party will press for tax and expenditure cuts on a scale unacceptable to anyone else. The Radical Liberal party, which was part of the coalition from 1988 until this week, could prove particularly prob-lematic for Mr Schlüter. The party, with seven seats, intends to use its swing vote to encourage co-operation between the government and the Social Democrats.

The trade unions are also flexing their muscles before negotiations in the new year for the next two-year collective

Delors seeks to strengthen his hand in high-stake game for monetary union

By David Buchan in Brussels

WITH SPORT and jazz as his relaxations, Mr Jacques Delors saves high-stake poker for his professional life. And nowhere are the stakes higher for him than in the present power-play over economic and monetary union (Emu).

When he hit out publicly this week at the way the German, Dutch, Spanish and French finance ministers seemed to him to French finance ministers seemed to him to be going back on their governments' commitments to Emm, he was not just seeking to avoid singling out Britain and trying to give Mr John Major a chance to modify UK opposition to a single currency.

He was also appealing to the leaders of Germany, France, the Netherlands and Spain to prod their finance ministers back into line over the commitments to Emu which these EC gravernments plus seven

which these EC governments, plus seven others, made in Rome last October. It is a high risk strategy. Mr Delors is banking on Chancellor Helmut Kohl, Pres-

ident François Mitterrand and Prime Ministers Felipe Gonzalez and Rund Lubbers being "better Europeans" than their finance ministers — and, to some extent, having better relations with him than with their own finance ministers. There is an obvious danger that these four leaders will simply consider that Mr Delors is getting too big for his Commission boots, and ignore him in an Emu negotiation that is

in the real economy."

"the rise of both underlying

inflation and of the current external deficit were seemingly

The sharp increase in oil prices has however "brought this still hesitant unfolding of a 'soft landing' scenario to a halt."

The survey also forecasts that consumer price inflation will remain "broadly unchanged" between 1989-1991 and that the current external

deficit will continue to rise in

being arrested."

essentially only between governments.

But for Mr Delors there is an equal danger in not speaking out. In a Community whose presidency falls into a different set of vested national interests every six months, he sees it as the Commission's

duty to cajole, exhort and exceriste mem-bers into living up to their promises. And the promise by Britain's 11 partners two months ago to set up a European central bank in January 1994, at the start of a Stage Two of Emu that might be as short as three years before final pass a single currency, is of the utmost per-sonal and professional importance to Mr Delors. This former Banque de France and

French finance minister considers money a driving force of EC integration. The view from Brussels is that Emu, or at least agreement on an Emu treaty, has to be achieved quickly, or it may not be achieved at all. EC officials see many winds - a Gulf war, economic recession -that could blow Emn off course. They are thus very anxious that the Emu negotia-tions should catch the current pro-Emu tide that is still running strongly in most RC countries, and alarmed at the following signs of delay:

• Mr Theo Waigel, the German finance minister, is described as having been "very tough" at the opening of the Emu

inter-governmental conference. He suggested that the Community was nowhere near agreement on adequate budgetary discipline for Emu, and that in 1994 the EC should stop short of setting up the planned EuroFed central bank and merely strengthen the EC central bank governors' committee instead. Earlier this month, Mr Wim Kok, the Dutch finance minister,

made the same point.

• Mr Pierre Bérégovoy, French finance minister, has recently not only been political about Britain's hard Ecu proposals, but also called for a strong "political counterweight" to the EuroFed, a stance difficult to reconcile with Germany's insistence on

EuroFed independence.

• Mr Carlos Solchaga, the Spanish finance minister, has made no secret of his desire to move slowly towards Emu, seizing on the hard Ecu idea as the possible core of a prolonged transitional Stage Two.

The net effect of all these hesitations is The net enect of all these nestations is to give the UK a chance to pick up allies that is far too big for Mr Delors' liking. The Commission president stresses the effort he made last June to welcome Mr Major's hard Ecn ideas as forming a possible bridge along which Britain would walk towards its EC partners. Now, however, these are signs of movement along that there are signs of movement along that bridge, in the opposite direction.

sions at Aspern, near Vienna, at Bochum and Rüsselsheim in at Bochum and Russesseem in Germany and at Strasbourg. The company is also study-ing alternative sites in east Europe. Earlier this year GM decided to build an engine plant and small volume car assembly plant in Hungary, and in recent days a GM Europe delegation led by Mr

Robert Eston, GM Europe president, has also visited Poland.

It is developing contacts with FSO, the Polish producer of Fiat-based cars in Warsaw.

The Slovak government said yesterday that it was renewing its earlier negotiations with Volkswagen of Germany, which have included talks on

EC ministers clear loans for Yugoslavia

By David Buchan

EUROPEAN Community foreign ministers decided yes-terday to lend Yugoslavia Ecur30m (£514m) over 1991-95, and to subsidise the interest on these loans with Ecu77m drawn from the EC budget.

This is a substantial increase on the Ecu550m worth of European Investment Bank loans under the Community's second five-year financial protocol which runs out in mid-1991. It reflects the fact that Yugo-

slavia has been targeted for special aid, along with other newly-democratised east European countries, from the Group of 24 western aid donors which includes EC states and is co-ordinated by the European Com-

mission.

The latter body also announced yesterday that it was paying Ecu35m into a fund organised by the International Monetary Fund and World Bank to help capitalise Yugoslavia's commercial banks remerity.

properly.

Last weekend's EC summit Last weekend's EC summit in Rome decided to contribute to currency stabilisation funds of Ecu700m and Ecu500m respectively for Czechoslovakia and Hungary. EC officials yesterday expressed disappointment that the Community's G24 partners appeared reluctant to pay their share into these funds.

these funds.
However, on aid to the Soviet Union, which is not yet coordinated at a G24 level, EC finance ministers have finalized amazana food aid worth sed emergency food aid worth Ecu750m (one-third grant, twothirds credit) and agreed on a supplementary EC budget for 1991 from which to give Moscow Ecu400m in technical

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Delors: danger in keeping quiet and not speaking out OECD review will help Gonzalez | Gloomy view on French growth

continuance of the rapid deteri-

oration in cost and price com-petitiveness which is eroding

the relative profitability of

exports and investment."
Mr Gonzalez is due to pro-

pose a "competitiveness pact" to parliament next month

which will ask opposition par-ties to back the government on

wage restraint. The prime min-

ister hopes such endorsement will impress the union leader-

ship in advance of the annual

round of collective salary nego-

adherence of wage settlements to the government's objective

of 5.8 per cent in 1991 would not only reinforce the process of disimilation but, by boosting the potential output and employment growth over the medium term, would also gen-erate positive dynamic effects

The OECD says that "close

THE SLOWDOWN in the rate of French economic growth over the past year is likely to continue into 1991, according Mr Gonzalez's government gets high marks from the OECD for its policy of slowing the economy through tighter to an end-of-year assessment monetary conditions and bud-getary cutbacks. The survey by Insée, the government sta-tistical institute. ays that before the Gulf crisis The economy will continue to expand but the slower rate of growth means that French there was a significant slow-down of domestic demand and

unemployment, long one of the black spots, is unlikely to get better and may get worse, according to the

report.

During the first half of next year, French gross domestic product should grow at an annual rate of 2 per cent, compared with 2.6 per cent in 1990 and 3.7 per cent in 1989. A similar slowdown in job creation is also likely to con-

The number of jobs created

tinue next year.

this year declined to 220,000 from 290,000 in 1989, and Insée expects a further decline to 180,000 new jobs in the 12 months from mid-1990 to mid-1991.

Moreover, manufacturing industry has been losing jobs again since the third quarter and Insée expects 50,000 more jobs to go in the 12 months to mid-1981, notably in the again deserts and in a in the car industry and to a lesser extent in consumer goods and intermediate products. Despite a wage push in the first half of this year, and the surge in oil prices in the second, inflation has remained stable this year at 8.6 per cent, as in 1989. As a result there has been

a squeeze on company profit margins, a trend which Insee expects to continue in 1991. The slowdown in the rate of growth has also prompted a decline in the rate of new corporate investment, which has expanded by around 5-6 per cent in volume this year, against more than 7 per cent

The trade deficit is estimated to have deteriorated this year by FFr10bn to FFr55bn (\$10.76bn), almost exclusively because of higher

The deficit in manufac-tured products worsened durtured products worsened during the year from FFr21bn in
the first half to FFr24bn in
the second of the year.
Insée expects a slight
improvement in the manufactured products deficit, to
around FFr30bn in the first
half of next year, but the
overall trade deficit is likely
to total FFr40bn during the

to total FFr40bn during the

The Turkish economy moves unsteadily forward

Gulf-related losses overshadow some progress on more familiar problems, writes John Murray Brown

OUR months into the Gulf crisis Turkey's economy displays all the halting characteristics of that most curious of Ottoman traditions, the march of the imperial guard — one step back for every two steps forward. Policy makers are bracing themselves for another hard

THE annual OECD survey of Spain yesterday provided Mr Felipe Gonzalez's government with strong ammunition in its

battle to impose wage modera-tion by highlighting the dan-gers that escalating labour costs pose to the domestic

The report forecasts an infla-

tion rate that will remain

higher than that of Spain's main European Community

trading partners over the next

two years, albeit with dimin-ishing differentials, and a cur-rent external deficit that is likely to be higher than its long term sustainable level.

The outlook, says the OECD, "cannot but call for a continua-

The survey says that "a wor-rying feature" of the strong demand-led growth in the lat-ter half of the 1980s was "the

tion of tight policies."

winter. But while the crisis has made a nonsense of most gov-ernment projections, there is little evidence of direct damage to the economy.

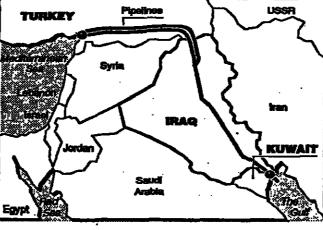
Official estimates of the cost to Turkey of enforcing the United Nations embargo range between \$2bn (£1bn) and \$9bn. Receipts from transport and tourism have been badly hit and Turkey has foregone as much as \$600m in royalties by closing the pipeline taking lradi oil to the Mediterranean. But the figures are largely guesswork at this stage.
Indeed the State Planning
Organisation is projecting growth at 5.7 per cent in 1991, compared with 9 per cent this

year and 1.7 per cent in 1989. Exports and investment continues to rise. Turkey's underlying problems, however, remain the familiar ones - chronic high inflation, a \$42hn foreign debt and a current account which this year has slipped into defi-cit after two years in surplus. After seven years of market-ased reform, President Turgut Ozal's dream of a modern, industrialised share-owning democracy has still some way

to go. Turkey, like many developing countries, is caught between the need to encourage the private sector while main-taining public services for large parts of society living outside the modern market

On the trade account, Turkish exports has been little effected by the 35 per cant appreciation of the real exchange rate since 1988, underlining industry's new found competitiveness.

Textue exports, for example, increased 17 per cent in the first nine months of 1990. On the other hand, the strong lira has prompted a surge in imports, with the current account deficit now set to reach \$2.3hm in 1991, the highest level since the early 1980s. "We are going through a consumer crisis. But you can't tell people to spend less," says



Mr Adnan Kahveci, the finance minister, who last week presented the new budget to parlia-

Tighter monetary policy has helped to restrain the public sector deficit. The public sector borrowing requirement (PSBR) is set fall to 7.5 per cent of GNP in 1991, compared with 9.3 per cent this year.
The high 1990 PSBR is partly explained by the inventory costs of TMO, the state food

agency, which bought large mounts of wheat this year. The government can also claim a degree of success in

controlling inflation.

he current import surge is helping to hold down the prices of some prod-ucts, a trend particularly noticeable in the auto and white goods sectors, This is in sharp contrast

vate business has long been accustomed to the prospect of prices rising at close to 60 per But elsewhere, the strain is beginning to show.

After a decade of wage restraint — a major factor in

maintaining the export drive union problems are back with a vengeance.

The country's largest ever strike at coal mines on the Black Sea coast is now in its

third week.

Both opposition parties —
the conservative True Path
Party and Social Democratic
Populist Party — have backed
the unions. The labour unrest
shows signs of spreading to
other sectors, like textiles,
which was Turkey's most
important export earner last
year.

A round of high wage settle-ments will certainly put public finances under increased strain. But as the OECD points out, wages are not the cause of Turkey's inflationary spiral. The greater challenge is how to finance the large state sector, which still accounts for about 30 per cent of industrial output while absorbing 60 per cent of public investment. An

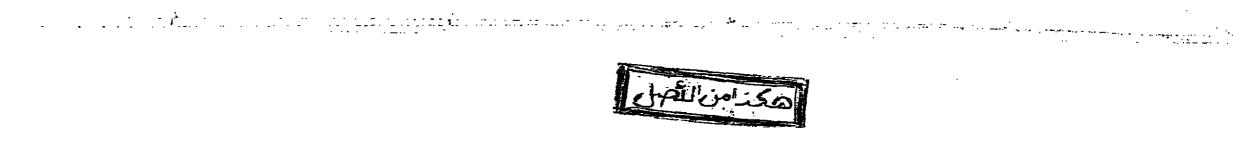
electricity company which employs around 70,000 people - but which has debts of close to \$4bn.

In the fight against inflation the government is now restrict-ing the price of state enterprise As a result, many corpora-tions are now borrowing, push-ing up inter-bank rates and making life even more difficult

for private companies. Privatisation as a solution has lost some of its appeal, even among government offi-

Since its start in 1984 proceeds from the programme have totalled Til.006m, but the public's appetite for large-scale sell-offs of state companies has proved limited. In addition hankers have warned that the bankers have warned that the programme could crowd out the capital needs of the private

President Ozal's exasperated suggestion to "sell at any price" was a measure of the government's failure to address the problem of public finance, which remains Tur-key's single greatest economic heedsche



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Age And Property

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IMPSDAY IN CLARER B.

By John Elliott in Hong Kong and William Dawkins

PEUGEOT, the French car group which also embraces the Citroen marque, is one to sign a joint venture contract in Paris today to make Citroen's newest model in the Chinese province of Hubel.

Investment is expected to total at least Yuan Abn, includ-ing 30 per cent from Citroen, with the rest from the Chinese partner, the long-established Second Automobile Works, French industrial officials say. Assembly of imported kits is the to start next year, building up to full local production of 150,000 cars a year by 1994, with a significant increase at a

second stage. Christened Acolus-Citroën, the project will be based in the city of Wuhan and produce the ZX, a small to medium-sized car due to be launched in France late in the first quarter

of next year.
The ZX will compete against hatchbacks like the Volkswagen Golf, which is about to be produced in China in a DM1.6bn (£550m) joint venture signed last month between the German group and the First Auto Works in the northern province of Jilin. Volkswagen will also make Jetta saloons there and already produces Santana sedans at a joint venture in Shanghai. This makes Pengeot the sec-

ond European car company to sign a second joint venture agreement in China. It already has a factory in the southern city of Guangzhou producing Pengeot 504 and 505 station wagons, pick-ups and cars. The projects show that China has now decided to use foreign companies that have gained experience in the country to modernise its older plants.

The Peugeot deal comes after

nearly four years of negotia-tions, delayed by the imposi-tion of EC sanctions against China following the military crackdown on the student riots

of June last year.

This included a block on state loans, lifted last February. Mr Raymond Ravenel, Citroën's international affairs adviser, was yesterday quoted as saying that the investment includes up to FFr2bn of

Pilkington in deal for \$140m Polish glass works

By Christopher Bobinski

PILKINGTON, the UK glass maker, has signed a letter of intent with Poland's Sandomierz glass works jointly to build a \$140m (£72.9m) float glass plant there.

The equity value of the ven-ture will be about 148m with International Finance Corpo-ration, the World Bank associate, taking a 15 per cent share. It is hoped the plant will start up operations early in

ating with Asahi Glass of Japan for some years, and the Pilkington proposal would mark the largest British investment in Poland to date. At the moment, Poland has 1,500 foreign joint ventures in operation, of which 5 per cent are part-British.

The letter of intent comes as the Polish government is due today to discuss foreign investment law changes.

These include provision for a little include provision for the pr

unlimited transfer of profits abroad and removal of the need for permission for foreign joint ventures with privatesector companies.

Three-year tax holidays are to be maintained in priority areas, and where foreign

Japan responds with calm to Gatt crisis

But bureaucrats are busy mapping out a new trade strategy, reports Robert Thomson

OR a country perceived to be uniquely vulnera-ble come the collapse of the world trading system, Japan has responded with a strange calm to the crisis in the Uruguay Round negotiations to liberalise world trade. Japanese ministers have deferred discussion of the issue, preferring to concentrate on year-end party obligations and other matters of pressing local interest, while some politicians presume that the trad-ing order's demise would high-light Japan's economic

strength and the weakness of the competition. But in the two weeks since the collapse of the Brussels talks, there has been considerable bureaucratic activity behind the political compla-cency and corporate silence. And Japanese negotiators are close to finalising the conditions on which they will open the rice market to imports.

The problem is timing. For domestic political reasons, officials still have no plan to make an offer before the EC and US reach agreement on agriculture, as a decision to allow rice imports will hurt the ruling Liberal Democratic Party, which wants to keep the public debate brief.

A popular proposal circulating within the Agriculture Ministry – aggressive in its public opposition to rice

imports — provides for amend-ments to a Swedish submission made two weeks ago that 5 per cent be set as a minimum for compulsory imports of pres-

ently banned products.
The Japanese proposal, unlikely to hit the negotiating table before the last of the deadlines, is for a two-tier sys-tem, with a 5 per cent opening for some products and a 3 per cent level for products crucial to "food security", which, in Japan's case, means rice.

Japanese negotiators say that the principle of "food security" must be enshrined in any Gatt package on agricul-ture, and that future increases in the 3 per cent level must be considered as a separate issue from a broadening of access for products in the 5 per cent cate-

gory.
With rice policy virtually settled, albeit privately, Japanese officials have unexpectedly praised EC flexibility and nned the US for intransigence on agriculture.
Mr Noboru Hatakeyama,

director-general of interna-tional trade policy at the Minis-try of International Trade and Industry, last week said that the US and Cairns Group had been "very, very rigid" during the Brussels negotiations. He was probably articulating a frustration felt by his negoti-ators at US inflexibility on a

range of issues, and reflects

disappointment at problems arising in negotiations over

What we can see now is a problem present from the very start of the Uruguay Round. Some people in Washington have seen the round as an attempt to make the rest of the world more like America. This worm more the America. This should be a give and take process, but these people are not counting what they have gained, they only count what they have lost," a senior negotiator said.

He is perturbed by the influence of US industry advisers, whom he says have taken a whom he says have taken a dislike to the emerging Gatt package and have become belligerent: "They are very self-righteous. They have a certain self-image, and the negotiations are showing the economic reality is slightly different. They don't like that."

A second reason for Mr. A second reason for Mr Hatakeyama's sudden embrace

of the EC is apparently related

nations from foreign diplomats about the personalities and attitudes of President Mitter-rand of France and Chancellor Kohl of Germany. Tokyo's faith in the durability of trade harmony regard-less of a successful Uruguay Round seems surprising. Mr Hatakeyama presumes that Gatt rules will continue to

> believe that too much work has been done on issues such lectual property and anti-dumping for the round to be completed without agreement in some of these areas, regardless of the fate of agriculture. A senior Agriculture Minis-try official said that the world trading system is now "so interrelated" that "we can't

towards Washington.

ties in understanding how con-

ment in relations between the

US and EC, and even Japanese

negotiators have sought expla-

operate even if the Gatt col-lapses. Other Miti officials

conceive of any situation in

to the growing perception in Tokyo that relations with the which Japan would be hit hard without other nations being hit Community must be cultivated and that past trade policy has

"The US is always trying to been too heavily weighted create a crisis. Our position is to proceed in a calm manner Japanese negotiators feel with realistic ambitions. US negotiators should be more that they have Washington's measure, but admit to difficul-

realistic," the official said. Unfortunately for Japan, this laid back approach is winning flicting national objectives are blended into EC policy.

The government is watching closely for signs of an improvefew friends and is soaking up goodwill in Washington. If Gatt negotiations on agriculture remain unsettled, and Japan keeps its proposal in a desk drawer, the US could resort to

bilateral methods. This scenario was considered in an editorial in the Nihon Keizai Shimbun, the leading economic daily: "By failing to act, Japan has made one choice increasing the likelihood that the US will resort to bilate eral negotiations to press for the opening of the rice mar-ket...this would give rise to bilateralism at the expense of multilateralism.

To highlight the point, the US Rice Millers' Association has just announced plans to nas just announced plans to file a complaint against Japan under Super 301, the punitive section of US trade legislation. Mr Clayton Yeutter, the US agriculture secretary, prides himself on having done Tokyo the favour of keeping rice off past hit lists — is he ready to do Japan another favour?

Export credit signed for Bahrain smelter project

By Stephen Fidler, Euromarkets Correspondent

export credit arrangement for an aluminium smelting project in Bahrain has been signed, virtually completing a financ-ing which has taken two years

to assemble.
The export credits, provided by a group of banks with the guarantees of the export credit agencies of Germany, France, the UK, Italy and Balgium, are unusual in that they are secured against contracts for future deliveries of aluminium. 'Although international banks are used to such security, most export credit agen-cies are not familiar with the concept and prefer to lend with

AN UNUSUAL \$580m (£302m) Bahrain was not willing to provide its explicit guarantee for the financing of the project, although it has agreed to off-take some of the product.

Financing for the project, an extension to the existing Alu minium Bahrain smelter, totals \$1.45bn and follows equity and commercial bank agreements signed in July this year. The expansion includes an 800MW power station and increase capacity to 460,000 tonnes a year. Bankers said Iraq's inva-sion of Kuwait had probably delayed completion of the financing. Chase Investment Bank and

Gulf International Bank were a sovereign guarantee. financial adv. However, the government of him Bahrain. financial advisers to Alumin-

Prague and Moscow reach trade pact after oil row

CZECHOSLOVAKIA has concluded a trade and economic agreement with the Soviet Union for 1991 after resolving a bitter row over oil

supplies: Under the deal, Moscow will supply Czechoslovakia with 7.5m tormes of oil, an amount which still falls way below an initial Czechoslovak request for 13m tonnes, or this year's level. The Soviet Union, in the throes of economic crisis, caused severe economic disruption to its East European part-ners by failing to honour commitments for subsidised oil

deliveries this year.
Instead of 16.6m tonnes promised for 1990, Czechoslovakia received only 13m tonnes. Prague in turn threatened to cut back exports of food and industrial goods and to deal directly with individual

Moscow for oil supplies, obtaining 200,000 tonnes of oil from Siberian producers in Tyumen in exchange for food and consumer goods. Prague hopes to increase locally-obtained sup-plies by equipping individual

Soviet enterprises with machinery and technology. The 7.5m tonnes is simply the amount guaranteed by the

Soviet government.

Although Soviet oil exports will for the first time be calculated at world prices in hard currency from January 1, it will still be cheaper than other sources because it is pumped into Czechoslovakia through the Druzhba (Friendship) pipe-

on Monday during a visit by Mr Vaclav Vales, the Czechoslovak deputy prime minister, also officially clears the way for Prague to deal directly with individual Soviet republics. Mr Pavel Svoboda, economic coun-sellor at the Czechoslovak Embassy in Moscow, said experts were already working on new economic accords with Russia, the Ukraine and Uzbek-

Prague wanted oil from Russia, coal and precious metals from the Ukraine and cotton from Uzbekistan, he added. In return, it proposed to sell them food, consumer goods and machine tools.

into new Soviet market By Christopher Bobinski, recently in Minsk, Byelorussia

Private-enterprise Poles push

POLISH COMPANIES are increasingly turning to the vast Soviet market after years of complaint that trade with the Soviet Union was ruining

their country. their country.

Russian unwillingly learned in school is being brushed up as private and state business sectors, pressed by low domestic demand, try to survive by recapturing the 9 per cent share of the Soviet market Poland had under the Comecon trading system.

trading system.

After 11 mouths of this year, exports to Soviet Union at Ronbles 5.5bn are 17 per cent down on the same period last year, but a 42 per cent fall in imports means Poland has a trade sur-plus worth Rbs 2.6bn.

January 1 will see a switch to hard currency pricing, and exports will be vital if Poland is to be able to pay for key purchases of Soviet oil and gas. Next year's budget projections foresee a \$1.1bn (£570m) trade deficit on overall exports worth \$14.5bn, against this year's \$4bn surplus in trade with

hard-currency partners. Polish salesmen are braving the hardships of crowded border crossings, to search for Soviet clients with either hardcurrency or goods suitable for

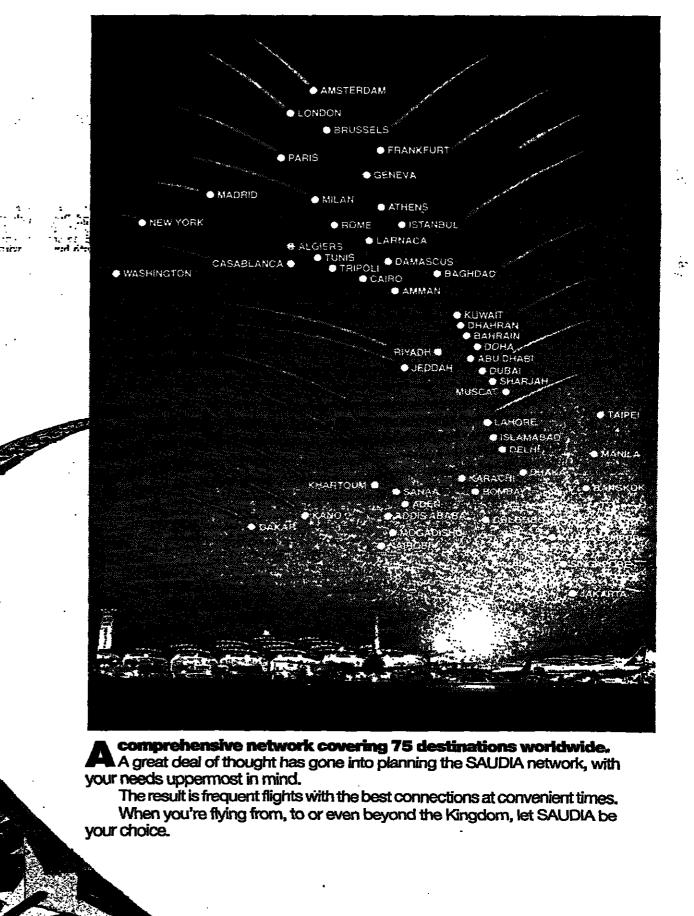
In Minsk last week, at Part-ner Bis, a fair organised by Perfect Agio, a private Gdanskbased trading company, the offensive ground to a halt. The 130-or-so private and state sec-tor companies encamped in the exhibition centre found to their dismay that their Soviet part-ners still had no clear idea what rules are going to apply from the start of 1991.

But business done over the week, at the cost of some \$1,400 a stand, amounted to \$17m and Rhs 47m, a fall on a similar fair in Minsk in October which delivered contracts worth \$6/m and Rbs 168m.

State-owned glants which under the old agreements were certain of delivering 70 per cent of their construction machinery to the Soviet Union, were present in Minsk ready to barter a mechanical digger for safety matches if need be, because of the problems of selling their goods.

Others were simply offering western products, hoping to be paid even in Soviet plastic buckets and plastic toys. Also on offer were deliveries of 3,000-tonne tanker-loads of diesel fuel, the first Soviet petroleum products imported by a private Polish company.

Ahlan Wasahlan Thoughtfully.





Aristide emerges as president of Haiti By Canute James in Kingston

ELECTION officials in Haiti say there will be no need for a run-off to decide the country's next president because radical priest Father Jean-Bertrand Aristide appears to have won

cast in presidential and legislative elections on Sunday. However, Mr Marc Bazin, a conservative economist who came a distant second, has asked the electoral comm to declare null and void the

about two thirds of the votes

vote in some regions The request is unlikely to be entertained as hundreds of for-eign observers who witnessed the voting said there was no visible fraud although there were administrative problems.

The conduct of the elections, which took place under threat of violence from thugs loyal to the Duvalier family dictatorship which was overthrown in 1986, has been welcomed by the US. "The Haitian army and the security forces acted admira-bly," said Mr Richard Boucher, a spokesman for the US State Department. "We call on all parties to respect the result of the election."

Haiti's Caribbean neighbours have welcomed the conduct of Sundays's elections, and have suggested immediate international financial assistance for the country.

"Haiti is now in the demo-cratic fold and it is for us in the Caribbean to keep it there," said Mr John Compton, prime minister of St Lucia,



Supporters of Jean-Bertrand Aristide ride by the National Palace in Port Au Prince, Haiti

observer of the poll.
"Haiti has been stalled for a long time and now needs a jump-start. The international community must move quickly

and get some money into Haiti." The country is among the poorest in the Americas. Fears of post-election vio-lence increased on Monday night following the death of a pregnant women and injury to several people when a group of

men, said to be policemen.

opened fire indiscriminately on a crowd celebrating the expec-ted victory of Father Aristide. Police denied involvement, according to local radio reports yesterday. They quoted police officials as saying that police merely shot over the heads of

the crowd, and that the woman

had been run over by a pickup truck accidentally. The incident came after extraordinarily peaceful elec-tions. Observers from the United Nations and the Organi-

sation of American States sation of American States (OAS), and an international team led by former US president Jimmy Carter, praised the vote and had warm words for the army, which had been widely blamed for acquiescence in the violence that cence in the violence that halted 1987 elections.

Foreign officials also expressed optimism that multi-lateral financial agencies and developed countries would provide economic aid to a democratic Haiti.

Argentina paralysed by reports of 'mutiny'

By John Barham in Buenos Aires

FALSE radio reports of Argentine tank movements triggered fears of another mili-tary uprising and briefly para-lysed the country on Monday

Two armoured columns were reported to be advancing on the provincial town of Chajari, where the garrison began to dig in to face the attackers. In Buenos Aires, President Carlos Menem called an emer-gency meeting with the defence minister and army commander to assess the

Two weeks earlier, fighting had erupted only yards from the Casa Bosada, the presiden-tial palace, after a mutiny by

army rebels. Officials quickly dismissed Monday's reports as a hoax put about by extremist fac-tions in the army, spread by irresponsible journalists and accepted unquestioningly by

the public.
Mr Menem swiftly suppressed the December 3 upris-ing and claims the military has been "pacified". But the panic over the fictional battle of Chajari demonstrates that

White House retreats on race scholarships ban

By Lionel Barber in Washington

US president George Bush vesterday ordered the Educa-tion Department to retract a decision to ban race-based scholarships to colleges and universities. The decision had raised a sturm of protest from civil rights groups and disquiet among cabinet members.

The task of announcing one of the administration's fastest about-turns in recent memory fell to Mr Michael Williams, the 37-year-old assistant secretary who drafted the controversial policy and who happens to be black.

"It was indeed politically naïve," said Mr Williams, an amiable and articulate Texan who has successfully prose-cuted Kiu Kiux Kian members but who confessed yesterday that he never imagined he could provoke such an uproar

in Washington.
Only last week Mr Williams unveiled the decision to bar federal aid to colleges and universities which were offering scholarships restricted to minority students. minority students.

Coming amid a national debate on whether blacks and

other minorities should continue to receive favoured treatment, or "affirmative action", the ruling proved explosive. It was not cleared at the White Mr Bush let it be known he was "disturbed" by the decision and yesterday's retreat looked much like uncondi-

tional surrender.
Federally funded universities
will nowbe allowed to hand out scholarships reserved for minority students if private denors or foundations so mandate. The department also pledged not to enforce "broad compliance" with respect to minority scholarships and to review legal restrictions on such scholarships imposed by

However, private universities receiving federal aid may not fund race-exclusive scholarships with their own money.
Under Mr Williams' original
ruling, need-based aid and
minority scholarships set up
by private organisations would still have been allowed, pro-vided race was not the only factor involved in the award.

But that did not prevent heated questioning at yesterheated questioning at yester-day's news conference. Asked by a black reporter how he felt being a "lackey of the estab-lishment and the white power structure, Mr Williams stood his ground. "I think we have to be very careful before making any decisions based on race,"



George Bush; 'disturbed'

of uncase about the fragil ity of black achievement in higher education, more than 25 years after the passage of the

years after the passage of the Civil Rights Act.

According to the latest statistics, black enrolment in colleges and universities in 1988 was 8.7 per cent of the national total — a marginal gain over the previous year but still low given that blacks comprise 124 per cent of the population.

But the controversy over affirmative action seems cartain to continue, not least because some conservative believe that opposition is a vote-winner among whites and the growing number of non-black minorities.

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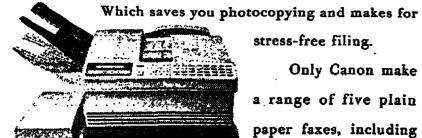
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Third World debt burden reported to be easing

By Michael Prowse in Washington

THE Gulf crisis is placing severe additional financing strains on many developing countries and threatens to undermine recent progress in resolving the Third World debt crisis, says the World Bank in its latest assessment of debt trends, published today. Total external debt rose 6

per cent in 1990 to a record \$1.34 trillion, the bank says. But the burden is more sus-tainable than in the late 1980s because the ratio of both debt to exports and debt service to exports has fallen. This reflects buoyant growth of exports in recent years and the success of official debt reduction initia-tives, such as the plan named after Mr Nicholas Brady, the US Treasury Secretary. But the bank warns that the

composition of debt has changed markedly with a "sig-nificant and unsustainable increase in reliance on official creditors". There is also a long-term risk that insufficient external finance will undermine the adjustment efforts of developing countries. The need to mobilise domestic savings is

thus greater than ever. The ratio of debt to exports for all developing countries fell from 232 per cent in 1987 to 187 per cent in 1989; the ratio of annual debt service (interest annual dept service (interes-plus amortisation) to exports fell from 28 per cent to 22 per cent. A further small improve-ment in these ratios, which provide a guide to the sustainability of debt burdens, is projected for 1990.

The bank says middle income debtors have gained significantly from the Brady Plan, which offers debt relief in Plan, which offers debt relief in countries which agree "sound adjustment programmes". Agreements concluded with Mexico, Costa Rica and the Philippines have reduced the face value of commercial bank debt by \$9.5bu; an agreement scheduled to be completed with Venezuela by the end of the Venezuela by the end of the year will achieve a further \$2hn reduction.

The deals cover about \$55bn of outstanding commercial debt and will achieve big

savings in future payments of interest and principal.

Severely indebted low income countries, mainly in sub-Saharan Africa, have also won important concessions.

Bilateral agreements have led to the forgiveness of \$5bn of Overseas Development Assisoverseas bevelopment Assistance debt. The Paris Club of official creditors has rescheduled nearly \$50n of debt on the concessional terms agreed at the 1988 Toronto economic summit. And donors have pledged nearly \$50n in page pledged nearly \$8bn in concessional finance for the second phase of the bank's Special Programme of Assistance for distressed African countries, roughly twice the sum dis-bursed to date.

These gains, however, have been offset by a worrying build up of arrears on interest bayments, which rose by \$7.7m in 1990. The most intractable problems involve unpaid interests. est on commercial bank debt in Argentina and Brazil.
The Gulf crisis is posing

severe short-term adjustment problems. The bank calculates that higher oil prices and other adverse effects will cost off importers the equivalent of 4 per cent of exports over the next three years. The bunder for the poorest and most indebted African countries will be nearer 10 per cent of exports. Meanwhile oil export-ers such Nigeria and Vene-

zuela will entoy windfall gains of 20 per cent of exports. The bank says most oil importing developing countries cannot cushion the shock through additional borrowing and will need more conces-

of commercial banks com with official debt relief schemes have caused a marked change in the composition of developing country debt. Long-term debt to official creditors has more than tripled since 1980 and, together with IMF credit, now accounts for 46 per cent of total debt. The share of official debt service in total debt service has risen to 37 per cent compared with 10 per cent in 1982.

Much of the risk associated with the debt crisis has thus been transferred from private to official creditors who may come under greater pressure to forgive official debt owed by middle income countries. (Such debt is not covered either by the Brady plan or by the easier terms agreed for poor countries by the Paris Club.)

The changing composition of developing country debt repre-sents a big reversal from the late 1970s and early 1980s when commercial banks were dominant and a return to the pattern of flows considered normal in the 1960s. The composition of official flows has also changed with the share of grants and concessional loans rising sharply.

Aggregate net resource flows

to developing countries have risen modestly since the mid 1980s. But they have not been translated into higher living standards because they have been more than offset by the costs of servicing external cap-tal — interest payments on loans and remittances of prof-its on foreign investment.

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In a reversal of normal development patterns, Third World countries thus continue to export more goods and services to industrial countries than they receive in imports. The debt crisis thus remains far from resolved.

Uruguay debt plan backed

By Stephen Fidler, Euromarkets Correspondent

URUGUAY'S commercial bank creditors have all responded to a debt restructuring proposal, allowing the agreement to be signed in Montevideo on Janu-

Banks covering 39 per cent of the debt said they would sell their debt for cash, at a price of 56 cents on the dollar, 33 per cent said they would exchange their old loans for concessional 30-year bonds carrying a 6% per

cent coupon; and the remaining 28 per cent would make now loans equivalent to 20 per cent of their existing exposure

Bankers claimed the ground ment was pleased with the mix of choices. Among the Binks which have chosen to artend new loans were Citicorp, which heads the country's bank advisory group, and Lloyds of the UK.



FINANCIAL TIMES WEDNESDAY DECEMBER 19 1990

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Iraqi atrocities in **Kuwait spelled** out by Amnesty

By Victor Mallet, Middle East Correspondent

AMNESTY International, the London-based human rights group, today publishes the most detailed account so far of Iraqi atrocities in Kuwait, including the torture, rape and killing of the country's citizens and foreign residents.

The Amnesty report* says

Iraqi forces, which invaded Kuwait on August 2, took several thousand prisoners and left more than 300 premature babies to die after looting incubators from Kuwait's main hospitals. "The Iraqi forces' brutality in Kuwait has shocked many people in the last four months," Amnesty said, "but such abuses have been the norm for people in Iraq for more than a decade."

Amnesty details 38 methods of torture used by the Iraqis in Kuwait, including mock executions, the severing of tongues and ears, gouging out of eyes and electric shocks.

Most of the reported abuses took place in the first three months after the invasion, when resistance was strongest.

"The severity of the early suppression appears to have crushed much of the opposition that led to arrest, torture and killing," it says.

"Time and again we were told that the most common way soldiers killed people was to take the victim to his familv's doorstep, have his relatives identify him, and then shoot him in the back of the head." Some people were killed for resisting the "Iraqisation" of their country by carrying Kuwaiti money or refusing allegiance to President Saddam Hussein, the report said. Corrupt soldiers and officials

were often willing to free their victims in exchange for money or video recorders. Although most of the detainees were Kuwaitis, those held included Jordanians, Syrians, Egyptians and Asians. Amnesty has collected the

names of about 1,000 people arrested, but it is thought that thousands, some as young as 13, are still held in Iraq and

A 31-year-old doctor told Amnesty that five or six bodies were brought each day to his hospital. "Many bore marks of torture," he said. "Judging by the bodies that I personally saw, the methods of torture being used included the extinguishing of civarettes on the guishing of cigarettes on the body; burning of the skin with heated metal rods; application of electricity; cutting off of the tongue and ear; gouging out of the eyes and the breaking of limbe."

*Iraq/occupied Kuwait: Human rights violations since August 2, Amnesty Interna-tional, 1 Easton St, London WCIX 8DJ.

Diplomatic war of nerves on Iraq talks

By Richard Tomkins in Baghdad

IT appears to make no sense. If Iraq is sincere in its desire for peace, why will it not accept

peace, why will it not accept an early date for talks with the US over the Gulf crisis? It seems like a procedural quibble.But from an Iraqi per-spective, President Saddam Hussein has sound reasons for digging in his heels.

Nine days at present sepa-rate the two sides. Iraq has invited Mr James Baker, the US secretary of state, to meet President Saddam in Baghdad on January 12, but President Bush insists January 3 is the last possible date.

Washington says the earlier date is necessary to allow time for Iraq to comply with the United Nations deadline of January 15 for the withdrawal of its troops from Kuwait.

The flaw in this argument, the UN deadline is largely irrelevant. All that really mat-ters is that talks should take place in time to prevent the outbreak of hostilities, when-

ever that might be.

Whatever hopes were pinned on a meeting between Mr Tariq Aziz, Iraq's foreign minister, and EC ministers, disappeared yesterday when foreign minis-ters in Brussels decided not to see him without his first having met President George Bush. Mr Aziz was due to have met the ministers in Rome on his way home from the talks he was supposed to have had

Delayoperates to Iraq's

it not only provides the opportunity for anti-war sentiment to grow in the West. It also increases the likelihood of cracks appearing in the anti-lraq alliance and offers the hope an Arab initiative could emerge, providing a more attractive solution to Iraq than a US-sponsored one.

Now committed to its own date it has become impossible for President Saddam to bow to Washington's deadline because of the importance of entering talks in a position of strength. Mr Bush's stance is that the sole aim of the talks is to convey the allied forces' determi-

nation to use force to secure Iraq's unconditional and complete withdrawal from Kuwait. Mr Saddam's equally deterbe dialogue, and it sees little prospect of achieving this if it makes conciliatory gestures before meetings have started. To that extent, President Saddam may have calculated it would be better to have no talks at all than agree to them

on Washington's terms. This does not mean the talks are off. Iraq yesterday was standing by its determination not to be "dictated to" by the US, but mention of January 12 has disappeared from the rhetoric. January 6, 7, or 8 could well emerge as a compromise date - but someone else may

Saddam's options considered

MR Harold Walker, the British ambassador to Baghdad, yes-terday added to speculation that Iraq's president Saddam Hussein could try to seize the initiative from the US-led alliance in the Gulf, possibly by staging a partial withdrawal from Kuwait or by stirring up trouble in Jordan, Victor Mai-

let writes. Mr Walker described Mr Sad-dam as a "very able, very clever leader" who would be thinking hard of ways to extricate himself from the crisis. A partial Iraqi withdrawal

Dated: December 5, 1990

from Kuwait was "very much on the cards", said Mr Walker. One of the most pressing wortes within the alliance is that Mr Saddam will attempt to bring Israel into the conflict, possibly by provoking the israelis through some kind of intervention in Jordan.

Washington's Arab allies in the Gulf would be deeply embarrassed if they found themselves on the same side as Israel in any war, and the west is boping that Israel will maintain a low profile for as long as

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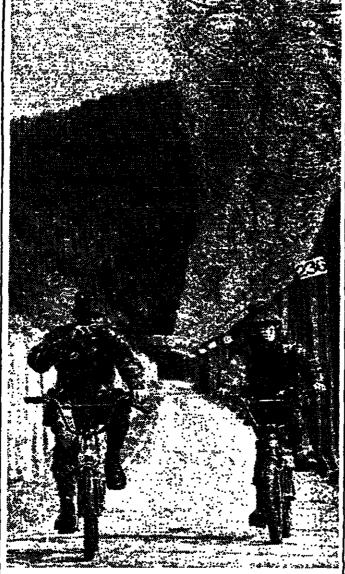
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Payments will be made on and after January 4, 1991 against presentation and surrender of the



Hong Kong policemen cycle along the border with China. Police took over border security from the British army this month.

Taiwan bank scandal charges

TAIWAN prosecutors yesterday charged 81 people in connection with a multi-billion dollar underground bank scandal which imperilled the expression of hundred of them. savings of hundreds of thousands of small investors, Reu-ter reports from Taipei.

A spokesman for the Taipei District Prosecutor's Office said Shen Chang-sheng, for-mer head of the Hung Yuan investment group, was among those charged with fraud and Yung-ming.

At its height in early 1989, Hung Yuan claimed assets of \$3.6bn.

These included a department store in the centre of Taipei and land and branch operations in countries ranging from Hong Kong to Tur-key.

Share dealing returns to Shanghai John Elliott on the opening today of China's latest stock exchange

UDGING BY a procession of Hong Kong dignitaries and investment fund managers to Shanghai this week, one might be forgiven for believing that this once grand financial capital of China is about to become fashionable as Asia's latest emerging stock market.

Led by Baroness Dunn, one of Hong Kong's leading politi-cians and head of its trade development council, and by Sir Quo Wei Lee, chairman of the colony's stock exchange, the visitors are attending a jamboree put together by Mr Zhu Rong Ji, Shanghai's ambitious mayor, to celebrate the opening today of the city's stock exchange.

There are only 15 traded stocks in China, so there is unlikely to be a stampede from foreign players, although some limited foreign involvement is

being considered. Today's event is important because China is beginning, hesitantly and with little apparent top level co-ordination, to develop the capitalist concept of financial markets.

The central government's primary aim is to create a secprimary aim is to create a secondary capital market in interest-bearing bonds to help solve its own acute cash shortage. There is thought to be about Yuan 114bn (£11.2bn) worth of bonds already in circulation, and about Yuan 650bn savings in the banking system which the government would like to

A secondary market could also lend legitimacy, and possibly some popularity, to bonds which the government has forced on workers through deductions from wages. How markets can function in such a society has, however, not been thought through, and there are considerable misunderstandings among Chinese officials about what is involved. But the momentum is there.

Is there.

Three weeks ago the country's first nation-wide securities trading system was launched, linking six cities and 18 licensed corporations for trading in government treasury bonds. Called Securities Automated Quotations System (STAC) this is a Chinese ver-(STAQ), this is a Chinese ver-sion of the Nasdaq securities system in the US. But regional rivalries are slowing integra-

The main promoter is Mr Wang Bo Ming, the Harvard-ed-ucated vice-president of Peking's reformist Stock Exchange Executive Council, who says he would like to include stocks as well as bonds. Mr Li Peng, the prime minister, is believed to be in favour, but there were no senior Chinese leaders at the launch in Peking, raising ques-tions about the degree of top

level support. In the south, the free market-oriented special economic zone of Shenzhen adjacent to Hong Kong, has been running a chaotic stock market since 1987 and has five listed companies. Rampant speculation, much on a kerb-side black mar-ket, pushed market capitalisation last month up to more than Yuan 7bn and government restrictions have been

Government officials have

lators reaping massive profits and have now been banned from trading. As a result Shen-zhen is in disgrace and Peking has not yet given it approval formally to open a new stock exchange headquarters and

trading floor. Shanghai, which has seven Shanghai, which has seven quoted company stocks and 25 listed bonds, is therefore in the lead. This reflects the importance attached to the city by Peking, where a powerful Shanghai lobby, led by Mr Jiang Zemin, the party secretary and Shanghai's former mayor favours the city in prefmayor, favours the city in pref-erence to what is seen as the corrupt and unruly south.

Mr Zhu has central support

for trying to return Shanghal to some of its former glory with foreign business involve-ment in projects led by a new \$50bn (£26bn) development zone at Pudong across the Yangtze river from the main

The new exchange is

located on the city's riv-erside Bund, the financial centre of pre-revolutionary Shanghai. It will bring together trading scattered around the city which smounted, according to official figures, to Yuan 18bm in the first nine months of this year. The Shanghai exchange has arrangements for automatic and trading floor dealing and has a list of 20 eligible brokers which Mr Wei Wen-Yuan, head of the preparatory body, says is expected to rise to 50 within three to five years.

Mr Wei says that the emphasis will be on bonds, which are categories: treasury bonds; construction bonds issued by provincial governments, financial institutions bonds and

enterprise bonds.

Equities will be developed more slowly but there are plans for a special category of B shares denominated in US dollars which would cater for foliars which would cate the foreign-owned companies and joint ventures. The first could include a Hong Kong textile company owned by a prominent family from Shanghal or a local joint venture which as

local joint venture which as Volkswagen cars. which already has a bond issue, or Pilkington glass.

There are also discussions about allowing pilot schemes which would give foreign investors direct access to the market, though Mr Wei would only say that "in principle it only say that "in principle it should be in order".

This is being watched closely by Hong Kong financial services companies such as Bar-ings and Jardine Fleming as well as by Indo-Suez Asia, which wants to finalise a 355m country fund called the Shang-hai Fund within a couple of

But there is considerable nervousness in China about recent developments. A Chinese news agency recently reported a Shenzhen government edict that each item of stock news should be accompanied by a government warning to unwitting speculators that there can be losses as well-as profits:

"Think carefully before you decide to trade in stocks. You must be prepared to take the risk this kind of investment

China inflation rate sets off alarm bells

CHINA'S inflation rate edged up in November as slack market demand, bane of the national economy in 1990, began to expand, the official newspaper Economic Information said.

Last month inflation ran at 5.3 per cent compared to November last year. That was a jump of 1.7 percentage points from October's year-on-year rate. While this may not seem much, in China inflation causes exceptional alarm because for 35 out of the 41 years of communist rule, prices hardly moved at all.

Some fuel prices rose by an average 50 per cent in 35 cities in China, compared to the same month last year, the newspaper said. Prices of some cotton goods and household products have also been raised over the last two months, and the price of

grain will soon go up.
Inflation surged to a peak of 30 per cent
in 1989, adding to anti-government resentment that motivated mass demonstrations. The protests were crushed by troops in Peking with heavy loss of life.

Demand also increased in November

Yuan 70.8 bn (27bn) over the same month a year ago. That growth far outstripped the 1.1 per cent rise in sales seen in the first 11 months of this year over the same period in 1989.

But November's economic pick up came at a price. In spite of the official austerity programme, which began in late 1988, domestic loans in China soared to a record yuan 248.6 bn in the first 11

Tokyo warned over cutting trade surplus

By Stefan Wagstyl in Tokyo

THE OECD has urged Japan to avoid interfering with free market forces in attempting to ease trade frictions with the

US and other countries.
Instead, Japan should continue its efforts to create a more open economy by further deregulation, particularly in agriculture and in the land market, says the OECD in its annual report on Japan.
The OECD says that govern-

ment efforts to reduce the trade surplus by giving subsidies for imports of manufactured goods "tend to distort nations' comparative advantage and are hard to justify on

The report acknowledges such actions help to quell pro-tectionist sentiment abroad. But it says: "Any direct interventions in business activities by fixing official targets either for Japan's current surplus or for shares of foreign suppliers in specific markets interfere with the operation of market This is a reference, among other things, to the US-Japan Semiconductor Agreement, which set numerical targets for the share of the Japanese chip market to be won by foreign

purely economic grounds".

The OECD says it recognises the need for further changes in the management of the Japanese economy to ease market entry for foreign companies. But such measures need to work with, rather than against, market forces. The government should, for example, make greater use of the Antitrust Law, says the report.
The authors suggest previ-

ous attempts to interfere with market forces may already be causing distortions. Current downward pressure on the yen is largely due to the big flow of direct investment overseas, says the report. However, the

decline in the yen (over the past year) has not boosted exports by as much as might. have been expected.

"The persistence of wide-

spread 'voluntary' restraints on Japanese exports would be an element suggesting that the present trade surplus may indeed be artificially low and foreign direct investment (to circumvent voluntary export restraints) artificially high, contributing to the weakness of the ven.

The OECD urges Japan to continue opening its markets to promote growth and open

Banks hold back on loans

By Robert Thomson in Tokyo

JAPAN'S money supply in November grew by 10 per cent from a year earlier, down from . the 11.8 per cent increase in October, as banks restrained lending under pressure from the Bank of Japan and interna-tional capital adequacy require-

The growth was weaker than expected and will add weight to expectations of a cut early next year in the Official Discount Rate (ODR), which the central bank has lifted to 6 per cent from 2.5 per cent over the past year to curb excessive economic growth.

A Bank of Japan official said demand for funds remained strong and there were signs that instead of using commercial paper issues for large lot deposit investments, companies in need of funds were using the

money for capital spending.

The 1.8 per cent month-onmonth slowdown in growth, the largest since March 1974, was partly exaggerated by a change in pension payment dates from a year earlier, and by a sudden shift in funds from ordinary bank accounts to a special kind of high-yield, long-term account that falls outside the so-called M2 plus certificates of deposit classification.

Australian dollar sustains value | Ethiopian food accord Ershad inquiry

By Tim Blue in Sydney

By Reazuddin Ahmed

team set up

THE Bangladesh government has constituted a three-memhas constituted a inter-member inquiry committee to investigate the alleged corrup-tion and abuse of power by General Hossain Mohammad Ershad, the ousted president. The committee is headed by

Justice Ansaruddin Ahmed, a judge of the supreme court. The committee will also probe corruption allegations against former ministers in Gen Ershad's cabinet and other government officers. Gen Ershad is under protec-

tive custody. Only two ministers have been arrested; others are in hiding.

According to an official esti-mate, 63m people will vote in the parliamentary election billed for March 2.

By: Morgan Guaranty Trust Company

OF NEW YORK, Fiscal and Paying Agent

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THE Australian dollar has shrugged off a further easing in official interest rates.

The currency fell nearly half a cent to 76.2 US cents in foreign exchange trading in Sydney when the Reserve Bank of Australia cut official cash rates from 13 to 12 per cent. How-ever, by the end of the day, the ever, by the end in the day, the Australian dollar had recov-ered to 76.8 US cents. Reserve Bank governor Ber-nie Fraser said that monetary

policy on its own could not rec-tify Australia's economic problems. "But today's reduction in interest rates should provide some relief to viable businesses and encourage investment opportunities, without risking the hard won gains of infla-tion," he said.

He said that, given current and prospective developments in the Australian economy, including the improved out-look for inflation (now down to around 6 per cent a year), the Reserve Bank and the Government believed a further easing

was appropriate.
Financial institutions picked up the Reserve Bank lead. The two biggest banks, the Commonwealth and Westpac, announced cuts of one percentage point in overdraft reference rates and housing mortgage rates respectively, while

the New South Wales building society St George cut its variable housing mortgage rate from 15 to 14.4 per cent from

Mr Fraser said inflationary pressures were abating, with "practically all indicators pointing to smaller increases in prices and wages than we have seen for a long time. This has been reflected in the financial markets, where yields on government bonds have fallen sig-nificantly in recognition of the improvement in inflationary prospects. At the same time, spending, production and employment are weak and likely to remain so for a while yet."

THE Ethiopian government eration Front (EPLF). and Eritrean rebels have agreed to reopen the rebal-held Red Sea port of Masawa for the first time in 10 months to take food aid to millions of drought victims, a United Nations relief agency said yesterday, Reuter reports from Nairobi.

Under the scheme a UN-flagged ship would ferry supplies to Masawa from Dilbouti, further south on the Red Sea, early next month, the World Food Programme (WFP) said. Masawa, the main port for Eritrea and the most efficient route for supplies to the drought-hit northern province, has been closed since it was captured last February by reb-els of the Eritrean People's Lib-

The WFP statement said food delivered at Masawa would be taken to needy areas by UN trucks and divided 50-50 between government and rebel-

held areas of Eritrea. held areas of Eritrea.

Nearly 1.5m people in southern Angola are at risk from hunger, while the 300,000-400,000 residents of the Liberian capital of Monrovia are in urgent need of food, Save the Children, the British-based ald approve and venterday Mich. agency, said yesterday, Michael Holman writes.

The agency announced plans to send relief workers to Liberia and an expansion of its work in Angola's Huambo

Thais hold fragile political system together

Paul Taylor looks at the manoeuvring to give Bangkok a stable coalition government

HAILAND'S new coalition government led by General Chatichai Choonhaven, the prime minister, faces an uphill bettle to convince the electorate, and foreign inves-tors, that it is more than an interim administration of political convenience. When he resigned two weeks ago, Gen Chatichai confronted dissension within his old cabinet, growing public discontent over allegations of influence peddling and steady pressure from senior military officers concerned about the loss of political influence.

Twenty-four hours later he was re-appointed prime minister and set about trying to form what he described as a more stable and "honest" regime. Late on Friday – the day a fortune teller reportedly consulted by Gen Chatichai pronounced the most auspicious day for government-making – the new Thai government, dubbed "Chatichai Il" by the prime minister himself, was

Out went the Democrats, the scandal-plagued Social Action Party and the Muan Chon party led by police Captain Chalerm Yubamrung, the controversial former minister in the Prime Minister's Office whose disputes with the military triggered off the last coalition's down-

In came the small Prachakorn Thai party and Solidarity, second biggest party in parliament after Gen Chati-chai's Chart Thai party and until last week opponents of the government. They formed a five-party coalition with two smaller parties which were in the previous government. With 227 MPs in the 357-seat House of

Representatives (compared to 240 seats previously) Chatichai 2 has a comfortable but not overwhelming majority which in theory might survive the 18 months before scheduled elections. But there are deep internal divisions.
Several cabinet appointments have drawn heavy fire from the local press. Many in the new cabinet have little direct experience of their ministries and

with a few exceptions are considered intellectual "lightweights," as one seasoned foreign businessman put it.
One exception is Dr Arthit Urairat, the new foreign minister. His business background suggests that foreign policy will remain aimed at turning Indochina from a war zone into a trading zone.

Perhaps the most controversial appointment was that of Mr Ban-harn Silapa-archa – a former interior minister - as finance minister. The financial community almost universally regretted his lack of experience in economic

affairs, especially when the Thai economy faces a downturn and urgent fiscal and institutional reforms are needed. Some solace was forthcoming last

weekend with the news that Mr Chavalit Thanachanan, former Bank of Thaiant Inanachanan, former Bank of Thal-land governor, had been appointed dep-uty finance minister and is expected to preside over fiscal and monetary policy. Since it was criticism of the decision to raise interest rate ceilings that brought about the departure of Dr Virabongsa Esmangiture. Ramangkura, the previous finance min-ister, this may be the hottest depart-

ment in the governmen Another factor of critical importance to the domestic economy, and to foreign investors, will be the new cabinet's atti-tudes towards industrial and infrastructure projects which either have been

agreed or are pending approval.

These include the Charcen Pokphan/
British Telecom plan to upgrade Thailand's telephone service, the Hopewell
Group's Bangkok elevated road and rail contract, the Skytrain project won by Lavalin of Canada and several petrochemical projects. Confidence in the new administration will be crucial to

the funding of these new projects.

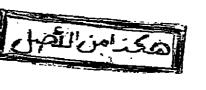
For the moment at least it is likely that the Chatichai II government will be given the benefit of the doubt. There

is general agreement that he faced an acute dilemma before he resigned and was re-appointed. But the sometimes bizarre events of the past few weeks have served to highlight the underlying fragility of Thailand's political system. First, although the military has seen its political muscle wither away in the

face of a growing middle class closely allied to an ardently pro-business gov-ernment, it can still exert pressure on a popularly elected civilian administra-Second, the educated middle class and urban workers are increasingly fed up with political and financial corrup-

Third, despite Gen Chatichai's wan-ing personal support, there is a political vacuum at the top which others, including General Chavalit Yongchaiyudh. former deputy prime minister and defence minister and now head of his

own military-backed party, are not yet ready to fill. Gen Chatichai now faces a delicate political decision. He could battle on with his new coalition until elections in 1992. Or, as many now suspect, he could call general elections early next year, before the economic downturn begins to bite and before his political rivals can muster their forces



borrowing requirement was £1.32bn in November, more than twice the £500m median

forecast of City analysts. Last month's deficit followed a

It brought the public sector's

accumulated deficit for the

surplus in the same 1989-90

public sector surplus in the current financial year.

Deep recession

in construction

Construction output

Ebn at constant 1985 prices

The news raised fresh doubts

over the government's autumn statement forecast of a 23bn

first eight months of the

compared with a £2.9bn

period.

£2.23bn surplus in October

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THE FUTURE OF NORTHERN IRELAND

Latest UK initiative may end deadlock over talks

FRESH PLANS being developed by the government for starting formal talks on Northern Ireland's political future have won backing by Unionist leaders, reviving hopes that a year-old initiative could get off the ground.

Proposals discussed last

his latest discussions with Unionists increases the pressure on Dublin not to be seen as resisting the tide.

Mr Brooke knows he still has precise formula for determinating when the Irish government talks can start. But, having previously said that he would parts of Ireland and between

week by Mr Peter Brooke, Northern Ireland Secretary, with Unionist leaders envisage negotiations starting early next year.

On the sensitive issue of the timing of the Irish govern-ment's entry, Mr Brooke would take an active "referee" role, but leave the decision largely to local political leaders involved in the first stage of taks

The plans - so far still subject to modification - will be discussed with the Irish government within the next few weeks. Mr Brooke has repeatedly emphasised that any pack-age has to be agreed by all participants but the success of

a substantial way to go before talks can start. But, having previously said that he would "put up the shutters" if differences could not be resolved. his continuing efforts under-lines his hopes for progress — if only at a slow pace.

Unionist optimism, particu-larly in the Democratic Union-ist Party, grew substantially after a meeting last Thursday between Mr Brooke, Mr James Molyneaux, leader of the Ulster Thierest Party and the Per Ver Unionist Party and the Rev Ian Paisley, DUP leader.

Under the plan discussed then, talks on internal government in the province would open in February between Northern Ireland's political leaders, including the mainly-Catholic Social Democratic and Labour Party. Dr Paisley has decided against a planned trip

relations between the two parts of Ireland and between London and Dublin.

Instead, Mr Brooke will play a "referee" role and make clear when he thinks Dublin should he brought in. Nothing would be decided on a devolved gov-ernment until the whole pack-age had been agreed and Unionists would emphasise their eagerness to move swiftly on to other areas of UK/Irish

Since the summer, Mr Brooke's initiative has floun-dered over the timetable for negotiations that could replace the 1985 Anglo-Irish Agreement. Unionists say Dublin's role should be limited in talks

German retailer takes 19.5% stake in Harry Goodman's ILG

European investors eye lucrative air travel sector

By David Churchill, Leisure Industries Correspondent

WHEN Mr Harry Goodman became disenchanted with the London's financial community in 1987 and took his International Leisure Group tour operator and airline private, he suggested that 1991 would be "about the right time to come

Now he insists there is no prospect of this happening. It is beyond my wildest dreams for us to come back to the mar-ket next year," he said yester-day. "I can't believe anyone would want to come to the market at present - and cer-tainly not us. The end of 1992 would be the earliest we might consider it, and that's

Mr Goodman was talking after this week's sale of a 19.5 per cent stake in ILG (or rather the privately-owned Hudson Place Investments which owns the company) to German retailer ASKO for an undis-

closed sum.
This move may bring a respite in the speculation that has dogged H.G. in recent income due to the collapse of Exchange Travel, the hike in aviation fuel prices, and some misavoury publicity about Mr Goodman himself.

Part of the speculation had also been caused by uncer-tainty over the intentions of the reclusive Swiss financier Mr Werner Rey, who has held a 49 per cent stake in Hudson Place for the past two years through his UK investment vehicle, Omnicorp.

"He's not the easiest man to get hold of and talk to about his intentions towards us," said Mr Goodman. "That couldn't help but lead to specu-

Mr Rey's decision to reduce his exposure to ILG in the pres-ext climate is not as clear-cut as first appeared. Although 19.5 per cent of the shares have been sold to ASKO (they will be held by its subsidiary COMCO), the remaining 29.5 per cent interest was sold to Harpener, an industrial and financial holding company based in Dortmund, Germany. But Harpener is controlled by Mr Rey's Omni Holdings which took a stake of over 80 per cent

in the company last year.

Mr Denis Strauss, director of the Omni Holdings London investment subsidiary Omnicorp, confirmed yesterday that Omni was still involved in ILG. "ASKO were very keen to get into the UK tour business and European scheduled strline network and we wanted to reduce our investment," he said.

"With the level of investment needed for airline expansion we might have had to put more money into Hudson Place (which owns ILG) and that would have taken us to over 50 per cent, which we didn't want," he added. "But we are confident in ILG's strategy of developing tour operating and scheduled airlines."

More interesting might be ASKO's plans for ILG. A num-ber of German companies have

shown interest over the past year in acquiring stakes in UK travel groups. The British consumer's growing desire to travel abroad - and further than most of their European counterparts - makes it an important and potentially

hicrative market. "They're certainly going to have their ideas about which way to develop," Mr Goodman

Air Europe, ILG's charter and scheduled airline operation which is the UK's second largest airline after British Airways, is the real attraction for foreign investors. With the battle for the North Atlantic air routes hotting up, spearheaded by US carriers United and American seeking to replace Pan Am and TWA, Air Europe's pan-European operations look attractive to an international airline seeking to use London as the 'hub' for continental destinations.

In the short-term, ILG's problem is how to cope with falling demand for package holidays — its bookings are down by about 10 per cent for next summer - and the uncertainty caused by the Gulf cri-

Unlike the early 1980s, when Mr Goodman's flamboyant style was to spark off deep dis-counting to win market share, ILG in the 1990s adopts a more mature approach. "Our margins are not only holding up but improving because we not discounting any more," he

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NORTHEAST SAVINGS, F.A.

NORTHEAST SAVINGS, RA By BANKERS TRUST COMPANY

UK NEWS

BRITAIN IN BRIEF



Nadir fails to raise

£3.5m bail

Mr Asil Nadir, the chairman of Polly Peck International, has spent a second night in London's Wormwood Scrubs prison after his lawyers failed to raise the £3.5m hall believed to be the largest figure set by a British court
- fixed by Bow Street

magistrates court on Monday. The lawyers found sureties totalling £1.5m but were defeated by the mechanics of getting the additional £2m deposit the court required transferred to solicitors' accounts before the court's

zustody, first at Holborn police station and then in prison, since being arrested at Heathrow airport on Saturday.

He appeared at Bow Street on Monday facing 14 charges of theft of about £25m from PPI and a subsidiary and four of false accounting. Polly Peck, Page 17

Public sector in the red

Public sector finances were heavily in the red last month, adding to expectations that the government may soon have to make new issues of gilt edged stock.
The Central Statistical Office

reported that the public sector

30 offices closed. Mr Nadir has been in The downturn in the construction industry is likely to be longer and deeper than previously expected, according to forecasts by the National

Economic Development Office (Nedo) published yesterday. The industry's output is expected to fall sharply during

the next two years. Any shenefit to the housebuilding market from falling interest rates will be modest, and will provide little compensation for the big recession expected in compensation was a supercess. in commercial property development. Nedo now forecasts that UK

output will fall by 4 per cent next year and by 3.5 per cent in 1992. It had previously forecast a recovery in 1992.

Economic boost for N Ireland

Northern Ireland's economy received a boost with confirmation that a new cience and technology park 1990-91 financial year to £4.5hn is to be built at Londonderry which is expected to create 1,000 jobs over the next five

The announcement came as the government gave details of \$466m expenditure on economic development in the Province next year. Mr Richard Needham, the

Province's Economy Minister, said the park would provide Londonderry with high class high-technology business and research initiatives.

TV companies seek ad ban

The ITV companies have asked the Independent Television Commission for permission to refuse advertisements for BSkyB, the satellite television

TTV executives fear that the company formed out of the merger of British Satellite Broadcasting and Mr Rupert Mardoch's Sky Television could become a much more formidable competitor than the former satellite rivals. The ITC has taken legal

advice and asked for a response from BSkvB. a consortium in which Pearson, publishers of the Financial Times has an 11 per cent

Compensation for firemen

Four firemen who suffered psychological stress as a result of fighting the 1987 King's Cross fire have been awarded a total of £34,000 agreed High Court damages against London Underground. It is believed to be the first

time that members of the emergency services have received compensation mainly for psychological rather than physical injuries. The awards ranged between £4,000 and £13,000.

More regional health funding

All English health regions will receive at least 4 per cent growth in revenue allocations next year under financia arrangements announced by

the government. Mr William Waldegrave. health secretary, in sharing between health authorities a £1.48bn revenue increase



William Waldegrave: for 1991-92 announced in last month's autumn statement. should receive less than 4 per cent growth. He said this was "in recognition of the major changes to be made next year" when the government's health

reforms are implemented. The health secretary's decision means that the government will be forced to slow down a proposed shift to a weighted capitation basis of health funding.

Rail safety

British Rail will fail to meet its own safety target of next April for reducing the working

hours of all staff directly involved in operating trains, according to an internal letter from Mr John Welsby, BR chief

executive. BR has reduced the hours of its signals technicians to a maximum of 72 a week in the wake of the Clapham train

said BR would not meet a similar set of targets for other categories of operating staff. There are about 40,000 other operating staff, including the drivers and guards.

crash of 1988, but Mr Welsby

Lifeline for theatre group

The world famous Royal Shakespeare Company was last night thrown a £1.3m financial lifeline to help secure

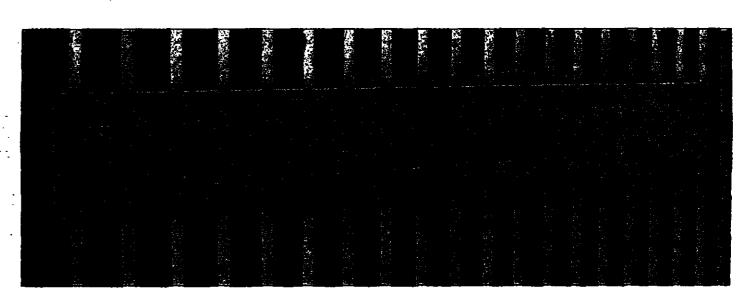
its future. But it has been told it must do more to match extra Arts Council funding in a bid to cut its crippling £3.3m deficit. The RSC's basic annual grant has been increased by £475,000 to £6,520,000 but the to be ratified by Mr Timothy Renton, the arts minister

may have answered the company's pleas.
The RSC has been forced to close its two London theatres, the 1,100-seat Barbican and The Pit, for four months to reduce overheads, despite good box office

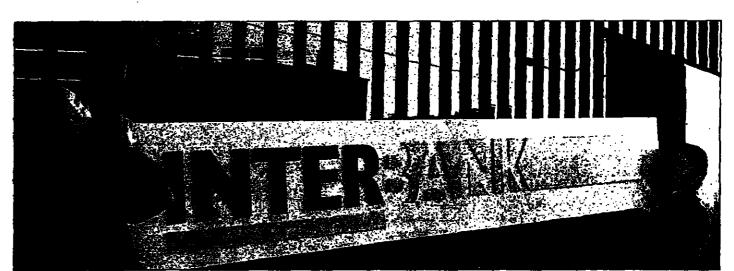
Blaze damages envoy's home

Fire has swept through the French ambassador's home in west London just a fortnight after he moved out to allow

More than 100 firefighters tackled the blaze at the four-storey Regency mansion in Kensington Palace Gardens. No one was injured but La Barre de Nanteuil has been forced to move to a temporary



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WORLD INDUSTRIAL REVIEW

The FT proposes to publish this survey on January 14 1991. It will be of particular interest to 54% of Chief Executives in Europe's leading companies and 94% of Captains of Industry in the UK who are FT readers. The US Senate and House of Representatives receive hand delivered copies of the FT Daily. If you want to reach these important audiences, call Brian Heron on 061 834 9381 or fax 061 832 9248.

FT SURVEYS

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UK NEWS

Strike threat recedes on North Sea oil rigs

THE THREAT of a renewed wave of strikes early next year by construction and maintenance workers in the troubled North Sea offshore industry receded yesterday as unions claimed a breakthrough in their campaign for recognition, writes Diane Summers.

For the first time since a series of unofficial strikes during the summer, the employ-ers' organisation, the Offshore Contractors Council (OCC), has agreed to meet the unions for formal talks on the issue.

An additional sign of peace also came yesterday as Shell Expro announced that, "as a gesture of goodwill", it would

be lifting a ban on the employ-ment of workers who had taken part in sit-ins on Shell platforms during the summer. Now, in a letter to Mr Tom MacLean, chairman of the joint

unions' offshore committee and a national officer of the AEU engineering union, the OCC has suggested a meeting on January 10 in London.

The employers pointed out in the letter that the talks

could only cover construction and maintenance work on platforms. The discussions "should not be construed as an oppor-tunity to discuss a formal agreement to cover all work offshore," the OCC stated.

Yesterday the OCC said it felt that "things had calmed down sufficiently" for talks to go ahead but it was disappointed that the unions appeared to be railroad the OCC.

The unions had been waging a campaign for a single "conti-nental shelf" agreement to cover all offshore workers, including, for example, catering and drilling workers. It now appears, however, that they are prepared to drop this demand - at least in the short

Separately, offshore catering workers have renewed their threat of industrial action and

accused the employers, the Catering Offshore Traders' Association, of reneging on a

negotiated pay settlement.
The OCC's invitation to talks on recognition for construction and maintenance workers was announced by unions as they left the Department of Energy yesterday after discussions with Mr John Wakeham, energy secretary, on the imple-mentation of the Culien report on the Piper Alpha disester.

Mr Wakeham agreed with unders that any victimisation of North Sea oil workers who complained about safety stan-dards would be "intolerable".

HOMELESS IN BRITAIN

ondon to receive £15m for hostels

By John Authers

THE government yesterday revealed details of a £15m spending programme to ease the plight of homeless people in central London.

The plans announced by Sir George Young, the housing minister, are aimed at rehous-ing people now sleeping rough on the capital's streets.

Mr Nick Hardwick, director

of Centrepoint Soho - the charity which operates an emergency shelter for young homeless people – is to be seconded to the Department of the Environment (DoE) to help mplement the proposals, Str

George added.

The latest proposals aim to provide an extra 1,000 beds in London and are part of a three-year government commitment costing £96m. The issue was raised last week after Mr John Major, the prime minister, promised to tackle the problem

The £15m will be used to pay for 330 new hostel places in London, with a further 700 to be provided by housing associations for people moving on from temporary hostel accom-

The remaining £81m is to be allocated over the next two years to ease homeless prob-lems outside London.

Charity workers welcomed yesterday's announcements, but called for a change in the structure of state benefits and for more action outside London. They also suggested that most of the spending outlined in yesterday's announcement was not part of a fresh initia-tive but had already been com-

Shelter, the charity repre-senting the country's home-less, yesterday said attention should not only be focused on central London but other parts of Britain.

It said children were sleep-ing in caves near Bristol in



Down on the street: the government hopes to ease the plight of those sleeping rough

western England, and highlighted the case of one young-ster in Bolton, in the north west, who built a shack in a field after failing to find a

Ms Shella McKechnie, director of Shelter, said: "While these proposals are extremely welcome, they are totally disproportionate to the size of the problem. Homeless-ness is not just a London problem. There are young people sleeping on the streets of every

"None of this money is coming up here. It's just ridiculous."

A recent attempted census in Bristol suggested that around 500 people were sleeping rough. But Ms Sue Parsons, of Shel-ter's Bristol office, said such quotas were unreliable because many of the homeless were reluctant to take part in a cen-

She suggested the measures taken in London would have little effect unless they were coupled with changes to the benefit system. She cited the closure of mental hospitals and the introduc-

tion of the community charge, or poll tax, as policies which had aggravated the increase in the number of people sleeping rough.
Mr Hardwick, of Centrepoint Soho, said the problem did not rest solely with the department

of social security, which arranges benefit payments to the unemployed. He said: "For the initiative to work as fully as we would

like, action is also required from other departments. Cer-tainly I hope that we can get some changes or look at some of the issues around social security payments, look at what is happening for people with mental health problems and a range of other issues that we can take on."

M Woule

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The London Housing Unit (LHU), which advises London councils on homelessness, accused the government of "dressing up an inadequate response to the issue of single homelessness by calling something new which is not new at

The LHU also doubted whether £15m would cover the extra 1,000 bed spaces which had been mooted by the DoE.

Commons told of 'disaster' in Amazonia

By John Hunt, Environment Correspondent

THE DESTRUCTION of the Brazilian rainforest is an "environmental disaster" but the rate of deforestation is not as great as some surveys have suggested according to the cross-party Commons Environ-ment Select Committee.

The committee also expresses concern at slow progress in implementing the programme of scientific research on the rainforest which has been drawn up between the UK Overseas Development Administration and the Brazilian Government. In a report published yester-day on its visit to Brazil the committee hopes the pro-

gramme "does not founder figure was 3,000 square miles, through excessive internal administrative and regional tation in Amazonia may not be difficulties."

The committee says the Brazilian National Institute for Space Research calculated by satellite analysis that 120,300 square miles of rainforest had been destroyed up to 1989, much less than the World Bank's figure of 230,000

It also says a study for Friends of the Earth suggesting an annual rate for deforestation of 20,000 square miles had been overtaken by more sophisticated data from satellites showing that the correct

as great as was previously thought" says the committee. "However, an annual loss of over 9,000 square miles of rainforest — an area roughly 20 per cent higger than Wales — is in itself extremely seri-

It says that the Brazilian Government is firmly commit-ted to environmental protec-tion but faces a "Herculean task" in policing such a vast

A serious problem was posed by thousands of illegal gold-miners who had flooded

into Amazonia, most of them penniless migrants trying to escape high unemploymen

"The situation was described to us as akin to that which existed in North America during the gold rushes 150 years ago when law and order in the Wild West was unenforceable or non-existent," says the

A Brazilian official told the committee; "They don't come for fun. The aim of the gold-miner is to become rich — or

ond report, Visit By The Con-mittee, To Brazil, HMSO, £11,90.

THE UNITED NATIONS ENVIRONMENT PROGRAMME (UNEP) INVITES APPLICATIONS FOR THE FOLLOWING POST OF DIRECTOR, DESERTIFICATION CONTROL, PROGRAMME ACTIVITY CENTRE Grade/level: D-2 Duty station: Natrobl Entry on Duty: Feb. 1991

The Descrification Control is the Programme within UNEP which is responsible for the co-ordination of development and implementation of the United Nations Plan of Action to Combet Descrification and related activities.

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(3) Negotiate with relevant bodies on behalf of UNEP for project formulation fund raising and for the provision of consultants.

(4) Build up a database on descrification assessment and control and disseminate pertinent information to Governments. (5) Organize meetings, prepare policy papers, statements and reports on descrification control and represent UNEP in related areas of activity.

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Grade/Level: D-2, Duty Station: Nairobi Entry on Duty: 01 May 1991 The Oceans and Coastal Areas PAC is responsible for the co-ordination of development and implementation of UNEP's Regional Seas Programme

covering 10 geographical regions and involving more than 120 States and territories Functions:

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lisise with government focal points as well as with co-operating agencies and supporting organizations in order to ensure their participation in and contribution to the activities co-ordinated by OCA/PAC,

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BUSINESS LAW

Insolvency administrators can use joint venture asset

GRIFFITHS AND ANOTHER v of which was paid by PCP on tute or be deemed to constitute PROVINCIAL & CITY PROPERTY COMPANY AND signing the agreement.

ANOTHER Chancery Division: Mr Justice Scott: November 22 1990

INSOLVENCY ADMINISTRA. TORS of a joint venture com-pany have power to disclaim onerous contracts as between the company and the joint ven-turers if the true relationship was one of quasi-partnership in that the joint venturers, while protecting themselves from creditors by operating through the company, retained the joint venture's only asset in their own hands.

Mr Justice Scott so held on an application for directions by Mr Allan Griffiths and Mr Maicolm Shierson, administrators of P&C and R&T (Stockport) of P&C and R&T (Stockport)
Ltd, a joint venture company
set up by Provincial & City
Property Co (PCP) and Rush &
Tomkins Group pic (RT).
HIS LORDSHIP said that the
business of the joint venture
company was the development of a business park in Stock-port, in four phases. The land belonged to Stockport Borough

Council. The joint venturers were PCP and RT. On January 24 1969 the council agreed to grant PCP a lease of the business park for 199 years. A £2.25m premium was

The lease was dated June 28 1989. The parties were the council as lessor, PCP as lessee, and RT as guarantor. The agreement and lease together contained the joint venturers' obligations to the council, and vested the land in PCP.

The rights and obligations of the joint venturers inter se were dealt with by a joint ven-

ture agreement.
Their intention was that the company should be the corporate vehicle in the name of which the development would be carried out; and that they should jointly own and control

the company.

Clause 1(i) of the joint venture agreement entitled PCP to act as "project co-ordinator of the development". By clause 3 the company undertook to do nothing unless both joint was nothing unless both joint ven-turers agreed. Clause 4(a) provided that the parties "shall seek to procure the novation of the agreement for lease and the lease in

favour of the company...to the intent that the company shall stand in the shoes of PCP..."

By clause 5(h) the company was obliged to make payments to PCP in respect of increases in the value of the park over and above the value represented by the \$2.25m preprints

In about June 1989 a start was made on the development. It floundered

The main contractor went into administrative receivership in April 1990. Subcontractors who had not been paid left the site. No work had been done since June.

The Co-operative Bank ple applied as unsecured creditor for an administration order in respect of the company. Administrative receivers were appointed by order dated June 15 1990, pursuant to section 8

of the Insolvency Act 1986.
The purposes of the appointment were (1) survival of the company and its undertaking as a going concern; and (2) a more advantageous realisation

more advantageous realisation of its assets than would be effected on a winding-up.

There were unsecured liabilities totalling £5m. Unless and until some part of the development could be brought to completion the company had no realisable asset. The adminisreansance asset. The administration order was to provide a respite to enable the company to try and arrange finance to enable at least phase 1 to be

With the creditors' approval the administrators negotiated with the bank. It was willing to advance further funds but sented by the £2.25m premium. Clause 15 provided: Nothing required a legal charge over the lease as security.

The lease was vested in PCP. Before the company could grant the security it must procure the lease to be vested in

Mr Lesning for the company contended that pursuant to clause 4(a) of the joint venture agreement, the company was entitled to call on PCP to trans-

Mr Moss for PCP contended that since the company did not propose to perform and was not in a position to perform its obligations to PCP under the joint venture agreement, it was not entifled to call for perfor-mance of PCP's obligations under clause 4(a).
Also, PCP objected to the

administrators' intention to dispense with its services as project co-ordinator. It said the company was bound by the joint venture agreement and could not simply ignore PCP's contractual rights. A liquidator could disclaim a communication of the course of could disclaim onerous con-tracts; an administrator had no such power.
Mr Moss drew attention to

the difference between an administration order and a winding-up order. That was a valid point. In Re Atlantic Computer Systems (FT, August 1 1990) Lord Justice Nicholls said: "In contrast to winding-up, an administration is intended to be only an interim and temporary regime...a breathing space...to give the administrator time to...implement...proposals approved by the creditors".

In general an administration order did not authorise adminstrators to break the company's contracts. There was no power of disclaimer such as was available to liquidators. But whether that general principle applied to the joint venture agreement in the pres-ent case was another matter.

The agreement had many of the indicia of partnership. If the true nature of the relationship was one of partnership, insolvency of the joint venture would be a ground for dissoluwould probably be appointed, and the assets of which they would take control would include the leasehold interest. As an alternative to partner-ship, PCP and RT could have entrusted their joint venture wholly to the company, with the company's Articles provid-

ing management control for each joint venturer, and joint venture assets vesting in the If the joint venture had become insolvent, administra-tors would have had full control over assets including the lease, and would not have been bound by the Articles regard-ing management rights (see section 14(4) of the Act).

The scheme of the joint ven-ture agreement was an amal-gam of the two alternatives. The joint venture was to be

carried out by a limited liability company while the joint

venturers were protected from joint venture creditors. But the main asset of the joint venture, the lease, was not vested in the company. Instead it was retained in the name of PCP one of the joint venturers. In such a case, the joint ven-turers' insistence on their

rights under the joint venture agreement in order to control the administrators' attempts to salvage the development was objectionable. The administrators were

appointed to recommence development so that at least phase 1 might be completed and realised for the benefit of creditors. Neither PCP nor RT had any equity to stand in their way. The manner in which they carried out their task was subject to control by the court. PCP could apply to the court and ventilate pragmetic black the court and court a matic objections to their pro-posals, but it could not object simply on the ground that the proposals were inconsistent with its rights under the joint

venture agreement.

The reasons for that conclusion were: (1) that in view of the insolvency of the joint venture, PCP, as at least a quasi-partner, had no equity to obtain specific performance of its contractual quasi-partner-ship rights against the com-pany; (2) that to enforce the

management and project co-or-

dinator provisions against the administrators would be inconsistent with the spirit and pur-pose of section 14(4) of the Act; (3) that insolvency of the joint venture and the company had frustrated the purpose of the joint venture agreement.

As to whether PCP could decline to transfer the lease, the question was one of construction of clause 4(a). The company had a beneficial interest in the lease, to take effect in equity immediately. Clause 4(a) contained an express dec-laration of trust; and any other construction would leave PCP in a position of preferred credi-tor of the company.

The administrators were therefore entitled, if they could procure a release of PCP from its lease obligations to the council, to have the lease vested in the company. PCP and RT's rights under the joint venture agreement would not be specifically enforced against the company, so long as it remained subject to the admin-istration order.

For the administrators: Ian Leeming QC and Ian Little (Slater Heelis, Manchester) For PCP and RT group: Gabriel Moss QC and Robin Dicker For the bank: Brendan Hegarty (Addleshaw & Sons, Manches-

Rachel Davies

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BUSINESS AND THE ENVIRONMENT

Christmas tree owners see the light

SINCE the 19th century, when Christmas trees were first brought indoors to adorn Victorian sitting rooms, they have been thrown out with the seasonal detritus of mangled wrapping paper and turkey bones. In the US, their traditional resting place was the ländfill

But in this age of shrinking landfill space and growing concern about solid waste dis-posal, environmentalists are promoting recycling for the 36m Christmas trees that are expected to be sold in the US

There are many uses for a dead Christmas tree. In New York city, the department of sanitation grinds them up into wood chips, which are offered free to urban gardeners to use as mulch for fertiliser and ground cover. The programme, in its second year, is extremely convenient for the would-be

conservationist.

"Leave your tree out for col-lection at curbside as you normally would," says Mr Bren-dan Sexton, Commissioner, "but remember to remove all ornaments, lights, stands and other decorations."

Even if the wood chips ultimately cod up in the landfill, they take up significantly less space and decompose more quickly than a full-size tree. The commercial sector is also starting to promote tree recycling. IKEA, the Swedish retail chain whose US stores sell many thousands of Christmas trees each year, offers customers the option of rent-

ing the trees.
On the Texas Gulf Coast, a number of local communities are trying to fight beach ero-sion by using piled-up Christmas trees to form the foundation for sand dunes. In the New Orieans area, the trees have been used as underwater dykes to help stem the erosion

Even living trees can serve a purpose. In one Californian town, the authorities will accept nursery-grown potted trees and replant them in tree-less centres. Civic minded Citizens can even claim their trees as charitable donations for tax deductions, provided the trees name and address and the

he towering hills beside the southern Chilean port of Puerto Montt are, on closer inspection, made of wood chips. In a few days they will disappear into the vaults of a Japanese freighter, only to be replaced by more hills for

Puerto Montt's artificial landscape is the product of an industry that did not exist five years ago. The business is dominated by Japanese corporations such as Mitsubishi, C-Itoh and Daio Papers, which could not resist the temptation to exploit Chile's vast temper-ate forests and open door policy towards foreign investors. The voraciousness with which the Japanese have plundered Chile's virgin forests -exporting almost 2m tonnes of wood chips last year - has provoked a national outcry. The country's growing environmentalist lobby is concerned that protected species, such as the Araucaria pine which can live up to 2,000 years, are being shredded in

The sawmills have also drawn the attention of Chile's Forestry Corporation, Conal.
"The problem is that the Japanese buy logs from small landowners, who are cashing in on with scant regard to its envi-ronmental impact," says Juan Moya, a forestry engineer at Conaf.

In theory, the felling of native woods requires the prior approval of Conaf, but Moya says his corporation does not have the manpower to police Chile's 7m hectares of virgin forest. He estimates that more than one-third of the wood that reaches the sawmills is felled illegally.
The Japanese companies will

not give interviews to foreign iournalists or answer written questions on the ecological impact of their activities. But they are gradually relenting under a barrage of adverse publicity.
Conaf recently extracted a

"policing tax" of \$1 per tonne from the sawmills that will help the corporation step up its war against clandestine fellings. Part of this money may be invested in a satellite surveillance system. The sawmills have also

agreed to hand over information on their suppliers. Conaf is currently drafting new regulations for the "ratio-nal and controlled" use of vir-gin forests. "With responsible Karen Zagor management, there is no reason why native forests should not be exploited commerLeslie Crawford explains moves to safeguard Chile's forests against excessive exploitation

Too much of a chip feast



cially," says Moya. He believes that they could even be given a new lease of life with the selective felling of diseased or overmature trees and modern conservation techniques.

However, the forthcoming regulations have Chile's small landowners up in arms. Guillermo Guell, president of Corma, the private sector's wood corporation, regards any new restriction on the forestry business as an unjustified attack on private property. We live off the forest, so we don't need anybody to tell us how to look after it - least of all trendy ecologists sitting in antiago apartments," he says. Guell blames the controversy over the wood chip business on environmental groups, which he refers to as "European and American neo-colo-

nialists; how dare they come to

tell us what to do with our

Yet with the exception of the Japanese, multinationals investing in Chile's booming forestry and cellulose industry have chosen not to touch native forests. They have either bought, or introduced "man-made" plantations of radiata pine and eucalyptus.

"Virgin forests are a no-go area. It is just too hot a politi-cal issue," says Alberto Rubin-stein, the head of Shell's forestry division

Jose Luis Lopez, the repre-sentative of Carter Holt Harvey's interests in Chile, says: "We only use man-made forests. They are more cost-effi-cient and we believe in the conservation of native spe-

Stora, Europe's biggest paper and pulp manufacturer, is cur-rently investing in radiata pine plantations in southern Chile which will eventually supply a planned 450,000 tonnes per year cellulose plant. The total investment, in a joint venture with Chile's Celulosa Arauco, could reach \$1.2bn

"Stora will not go near native forests," says Gustavo Romero, the company's general manager in Chile. "It is too dangerous to tamper with such a fundamental part of our eco-

"Carter Holt Harvey, Shell and Stora have invested over \$1.4bn in Chilean forestry over the past five years - buying plantations, building sawmills and cellulose plants. Chile's unheatable comparative advan-tages for growing radiata pine, and the government's generous reforestation incentives, have created this foreign investment surge. Exports of timber, cellulose, furniture and wood chips now total \$800m a year, and are are set to double by the turn of the century. Simpson Paper of the US is

constructing a \$587m pulp mill in association with Chile's largest paper manufacturer, the Compania Manufacturera de Papeles y Cartones. Fletcher Challenge of New Zealand and Pathfinder Investments of the

US are also in Chile.

The most recent arrival is
Switzerland's Attisholz Holdings, which wants to build a
\$90m kraft paper mill in the

All have pledged to incorporate the latest environmentfriendly technology in the treatment of pulp mill efflu-

The magnitude of their investments is another factor that singles them out from the Japanese. "Japan may be Chile's second biggest trading partner," says Lopez, "but they have few investments in Chile." It only takes between \$5m and \$13m to set up a saw-mill, and the export of wood chips doubles the return on the original investment in under a

Lopez is worried that the unchecked growth of wood chip exports could eventually tarnish the image of the for-estry industry as a whole. But Rubinstein sees some positive developments in the behaviour of Japanese corporations. "Mit-subishi is beginning to buy eucalyptus plantations," he

Daio Papers recently announced a 10-year investment programme to reforest 250,000 hectares with eucalyptus and build a pulp mill and wood chip plant. Rubinstein is heartened by their decision to invest in renewable natural resources. "It shows they are finally responding to environ-mental concerns," he says.

Miners dig deep to give birds a safer passage

Kenneth Gooding on Echo Bay's \$10m bill to preserve wildlife

THE cost so far for attempts to prevent birds being killed at the McCoy/Cove gold mine near Battle Mountain in Nev-ada is about US\$10m. Echo Bay Mines, the owner, has also paid a \$250,000 fine and agreed to contribute a further \$250,000 to wildlife habitat and propaga-

tion projects.

One thousand and one birds have died by drinking from the mine's waste water pond since McCoy/Cove started up in June last year. Echo Bay can be that precise because the US Migratory Bird Treaty Act makes it illegal for any company or mine to kill migrating water fowl and every death has to be

reported.

Even though Echo Bay made great efforts to prevent birds being killed it still had to pay one of the stiffest fines ever levied against a mining com-pany in Nevada, a state cred-ited with usually taking a benevolent approach to mining

Echo Bay tried to keep the Echo Hay tried to keep the birds away by stringing silver flags across the pond, to no avail. It attempted to frighten the birds away by using remote-controlled boats. Cannons were fired at regular intervals, but still the birds arrived. Mine staff even resorted to chasing the birds across the pond on air-proacross the pond on air-pro-

pelled swamp buggies.

The company was advised that loud music would keep birds off the pond. "But a couple of ducks started nesting on the rafts we put on the pond to carry the loudspeakers," says John Zigarlick, Echo Bay's

Echo Bay is by no means the only mining company to suffer from this problem, but it seems to have invested more time and money than most to find a

The mining method which caused the difficulties is called heap leaching. This is a process in which ore is placed in a heap on an impermeable pad. Then a weak cyanide solution is sprinkled over the heap and collected at the bottom after percolating through the ore and dissolving out most of the gold. This very low-cost pro-cess has enabled gold to be won from rock containing very little of the precious metal -typically well under one ounce

of gold in every tonne of ore -and contributed to the tremendous unsurge of gold mining activity in Australia as well as North America in the 1980s.
But tailings (waste), dis-

charged into ponds after the gold has been separated from the solution, still contains cyanide which takes some time to lose its toxicity in the sunlight.
At the same time, many of the
mines using heap leaching to
win their gold are, like McCoy/
Cove, in desert areas. As Echo Bay learned to its cost, when birds fly in from the desert, there is little that can be done to stop them having a drink.

The McCoy/Cove tailings pond covers an area of 145 hectars (equivalent to the combined size of 200 soccer pitches) so putting a narrow-mesh net

The first snowfall of the Nevada winter would have broken the net'

over it would have been difficult and "the first snowfall of the Nevada winter would have broken the net, suggests Mr Bob Calman, Echo Bay's chair-

His company ultimately solved the difficulty by install-ing a treatment plant which reduces the amount of cyanide in the water dumped in the tailings pond. "There is now less cyanide in the McCoy/ Cove tailings than in British drinking water," Mr Calman

The treatment plant was built at the cost of nearly \$3m under licence from Inco, the world's largest nickel pro-ducer, which launched the so-called SO2 concept in 1982. The system works by oxidizing the residual cyanide in solution into cyanate, a chemical much less toxic.

More than 30 Inco SO2 facilities have been operating in Canada for some years and there are four in the US, so the technology is tried and tested.
"The capital cost was trivial and it was a mistake not to put in in at the outset," admits Mr

He estimates that Echo Bay spent about \$6m on the other, unsuccessful "quick fix" solu-

tions. Even to a company the size of Echo Bay, which is the fourth-largest North American gold producer in terms of out-put — which will be well over 800,000 ounces this year - this is not so trivial.

Is not so trivial.

Also, McCoy/Cove's mili had to be shut down for three weeks while the inco plant was installed. This caused the mine's gold output in the third quarter of this year to fall by 24,165 troy ounces to 58,799 ounces. Consequently, the mine's cash production costs jumped by nearly \$100 an ounce to \$291 an ounce in the quarter.

The Inco treatment also adds about \$10 an ounce to the cost of producing gold at the mina-but Mr Calman says this will but far cannan says that will be more than compensated for by the fact that spending on "temporary fixes" to keep birds off the pond is no longer needed. Most important, after it became clear that birds were dying in relatively large numbers, the company switched to weaker-than-usual cyanide solution. Now the treatment plant is in operation McCoy/ Cove has returned to a fullstrength solution which should boost the recovery of gold from the ore from 82 per cent to 90 per cent.

There are many miners who would maintain that Sigm to save the lives of a few birds is a waste of resources and an example of environmentalist overkill But Mr Calman does not complain. "The law is the law and is there to be obeyed." he says. Then, after some consideration, he adds: "Mind you."
I thought about what it had cost us when I was watching a television programme which mentioned that 283m turkeys will be killed so that the US could celebrate Thanksgiving Day in the traditional way. Are there any lessons for non-mining companies to learn from Echo Bay's misfortunes? Mr Calman believes there is one important thing to be learned: consultants don't have all the right answers. He says: "Our consultants told us that we would have no problems with migrating hirds because McCoy/Cove was under be flight paths. The consultants were wrong and we were wrong not to check further

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Notice is also bereby given pursuant to Rute 4.162A of the insolvency Rules 1995 that the Liquidators intend to make a -distribution to craditors. Greathers are required to submit AUR details of their claims and their nemesand adjeraces to the Liquidators at IOPACP Past Marunicit McLintock, 20 Farringdom Street, London ECAA 4PP, England before the eleventh day of February 1991 vehicle is the least day for proving claims.

A creditor who has not submitted his chiral by the date resultaned will not be able to disturb the distribution but if the proves his chiral after the date mentioned he will be enabled to be paid out of any money evalu-able to the Liquidators to pay any turther distribution to creditors.

Note: The company is able to pay all known creditors in full. Anyone who considers timeself to be a craditor should write to the Liquidators immediately.

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LEGAL NOTICES

No. 000020 of 1990 IN THE HIGH COURT OF JUSTICE IANCERY DIVISION
IN THE MATTER OF
IB FINANCE (UK) PLC

- and -IN THE MATTER OF THE

NOTICE IS HERESY GIVEN that the Order of the High Court of Justice, Chancery Division dated 10th December 1990 confirming the reduction of the capital of the above named Company from US & 5,000,000 to rill and the Minute approved by the Court showing with respect to the capital of the Company as attend the several particulars required by the above mentioned Act were registered by the Hegistrar of Companies on the 12th December 1990. On the same date the capital of the Company was increased by \$10,000,000 divided into 3,000,000 Ordinary Shares of \$1 each of which 2,500,000 Ordinary Shares of \$1 each were immediately leaved.

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SHOOLVENCY ACT 190 NOTICE OF MEETING IN GSTRATION PROCES NYCKELN PHANCE COMPANY LIMITED .

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Date 30 November 1990

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place in England, about 250 miles from London and probably near the sea, which was once called Milbrue or something very similar? If so, they could help to shed light on one of the most intriguing career puzzles the Jobs column has ever come across

I learned of the mystery, which concerns how two long dead Englishmen came to take up work they could hardly have foreseen.

from historian Professor Bartolomé Bemassar of Toulouse University.

Around the seventeenth century, he says, people from Christian nations going by ship through the

Mediterranean took the risk of

being captured by Barbary pirates. When that occurred, they had two

options.

One was to eke out their lives as slaves, the men usually chained to the oars of galleys. The other was to become Muslims in which case,

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RECRUITMENT

JOBS: Clues sought to mystery of Englishmen who found themselves in unexpected careers

Case of the backsliding Barbary pirates

their conversion had been forcible and they had stayed true to their first faith.

Professor Bennassar and his wife have studied records which the Inquisition kept of the interrogation of 1,550 suspect renegades. Among them were two Englishmen who had turned Muslim and thrown in their lot with the Barbary pirates that captured them, only to fall into Christian hands when a later raid misfired. They were John Martin and James Larman (or Lormond or Sarman), both sailors originally

from "Milhrue".
Since the records state that it was 200-300 miles from London, the professor conjectured it might be present-day Middlesborough. But the Tees-side town was built virtually from scratch in the 1830s on the stin of a banket of the stin of the s on the site of a hamlet of 40 people, and the local Dorman Museum says there's no evidence that the place was ever called Milbrue.

given talent and hard work, they could reach high positions in the remarkably open Middle Bast society of the time. Several such converts became viziers, generals, admirals and the like. The trouble was that, if they happened to be recaptured by Christian forces, they were doomed as heretic renegades unless they could persuade the Inquisition that Can any of you suggest more likely candidates, please? If so, I'll report on them in the new year as well as forwarding them to Toulouse.

Carousal costs

TEREUNDER - for the second Christmas in succession -appears the Jobs column's guide to the cost of seasonal carousing in various international centres. The

City

figures have been generously provided by the Reward payand-fob-conditions consultancy, of Stone in Staffordshire.

As some readers at least may need no reminding, the price of a thick head is not limited to taking

3.53 2.13 2.28 3.40 -3.03 5.58 5.83 2.87 2.33 3.97 3.31 3.65 2.69 3.41

be made of the expense of trying to shrug it off. Hence the layout of the table, in which overseas currencies have been turned into sterling at the exchange rates prevailing in

THE PRICE OF OVER-INDULGENCE AROUND THE WORLD

out. The on and off components are then added to give the total cost.
As may be seen, Helsinki is the most punitive city, almost £10 a thrash dearer than second-placed Stockholm and over four times more expensive than Athens, the boozer's best buy. The best balanced is Frankfurt where the cost of recovering is 70 per cent of the price of needing to.

The first three columns of

figures give the approximate "on-

of whisky and of vodka, followed by the average across both. The next four columns do likewise for

the "off-cost": three dozen Alka

Selizers (Reward apparently could not find any to buy in Cairo, Tokyo

or Athens), 100 aspirin tablets, and 200 grams of coffee, again averaged

Business getter

THENCE to headhunter Vivian Lawrence of the Arlington Consultancy who seeks a manager with success in market-expansion for the London-based branch of an eight-year-old American computer services company with a

turnover of £50m worldwide. Since he may not name his client, he promises to honour applicants' requests not to be identified to the employer at this stage of the proceedings.

The prime task is to increase

company's software expertise, with particular emphasis on building societies and insurance concerns.

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company car.
Mr Lawrence would rather have written inquiries. His address is Canterbury House, 2-6 Sydenham Road, Croydon CR0 9XE; fax 081-681 2732. But potential candidates really in haste can telephone him on 081-681 8185.

That said, I wish you all the blessings of the season and hope we'll meet again on January 9.

Michael Dixon

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by the brothers at the yery last

moment after a \$300m offer from Benkiser of west Germany. For a

company that could not sell 75 per

cent of itself to a Japanese buyer in

1986 for \$17m, this says a lot about the pulling power of public family in lighting, at least in Spain.

in Germany, the internecine fam

ily squabbles at Dornier, the family aerospace group, and Knorr

serospace group, and Knorr-Bremse, the locomotive braking systems group, led to both being snapped up cheaply by rivals.

At Benkiser prices, it is little wonder families are rushing to sell out. Although the top rate of capital gains tax in Spain is still 56 per cent (and payable as part of income tax), family shareholders have usually been able to set off lightly.

Until the end of last year, sellers could issue rights in favour of the buyer and never pay capital gains until the original shares were sold. The smart seller would frame the

originals and hang them on their walls. The Revilla sausage empire and the Antibioticos bulk chemicals

group were both sold this way, for \$88m and \$500m, respectively, to Unilever and Montedison, to the great good fortune of their owners, but the loophole has now been

pingged.
Nowadays, analysts say, sellers
can stave off capital gains tax by
quickly making long-term invest-

ments in the property, market, which most rich Spaniards do by instinct anyway, or by holding their assets offshore. Madrid's tax treaty with the Netherlands, for instance,

seans that shares owned in the

Dutch Antilles would attract less

than 5 per cent capital gains tax if

Not all the buyers are foreign.

When tensions in the family run-ning the big Elosua oils and foods

group became too much for the

youngest of them to bear late last year, he persuaded a state-owned competitor, Mercasa, and the family

companior, Marcasa, and the lamily bank, Banco Pastor, to buy up Elo-sua shares until he and they con-trolled a majority. Now back run-ning the company his two uncles had tried to take away, young Mar-celino Elosua, grandson of the founder, has removed the two from management. But Elosua no longer helosus to the Elosuas.

Family businesses can also sur-

vive traumas, however. At Campof

rio young Pedro Balive, 35, has retaken control of the processed

been able to get off lightly.

he biggest winners in Guin-ness's \$1bn takeover last month of Spain's bigges brewer, Cruzcampo, were the two investment banks involved. Chase Manhattan, for Guinness, replaced some of the shine it has lost recently with its decision to pull out of retail banking in Spain.
And Goldman Sachs, for Cruzcampo, finally got it right in a big
way in Spain following its part in
the messy failure last year of the Credito (Banesto) with Banco Cen-

But the Cruzcampo sale is more than just another sharp deal. It is also another nail in the coffin of hig family businesses in Spain which, until the mid-1980s, looked like defying the rot that had earlier beset their west German counterparts. The surviving Osborne, Delgado and Lafite families in Cruzcampo, seduced by an impossibly attractive offer, are packing up and leaving Family businesses are the back-bone of Spanish industry, employ-

ing more than 85 per cent of the country's workforce. While their products are often technically excellent, the companies themselves are famously badly run — marketing is non-existent and finances, where they exist separately from the family kitty, seldom reflect the actual state of the business. Once protected from foreign com-

patition — along with everything else in Spain — during Franco's dic-tatorship, families are feeling the chill winds now of real competition, financial transparency, and fratri-cidal tensions as the monies on offer strain even the strongest emo-

The departure of families from productive business has become an exodus since the recent wave of foreign acquisitions began in 1986, the year Madrid joined the European Community. The Cruzcampo pur-chase proves that not even the slow-down in the economy is putting off foreign investors.

What counts in Spain is not the state of the economy nor the prospect of immediate profit. Foreign buyers come here for market share. The most recent example of that was the purchase in October of 45 per cent of Spain's largest producer of steel sections, Jose Maria Aristrain, by British Steel for \$220m, after it became clear that the late Mr Aristrain's children did not have the stomach for managing the busi-

The absence of a marketing tradition in Spain means that foreign companies like Guinness have assumed (not always correctly) that they can do better with the assets they buy and have been willing to

pay for sales potential.

The temptation to sell in the last three or four years has never been greater," says Anthony Praile of Boston Consulting in Madrid. Demand has pumped up prices to

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Spanish family businesses

ll winds fan the flames

Competition from other European Community companies and stricter regulation have opened up divisions among owners of private firms. Peter Bruce reports on fratricidal tensions which have led to a share-out of the spoils

If purchase price has been the main factor, tax is becoming its constant companion. Some audits by foreign buyers recently have turned up more than 20 years of outright

And the families are only now coming to terms with the real horror of belonging to the EC - in the financial year ending next June, every Spanish company, for the first time ever, is going to have to register properly audited and public

And the auditors are legally obliged now to report tax arrears. It promises to be a painful process. "In most cases they have never been audited at all," says a long-suf-fering senior accountant in Madrid. "You always find unpaid taxes."

As the Spanish revenue service becomes more efficient the choice between waiting for a knock on the door or quietly selling to a rich for-eigner who is prepared to assume responsibilities — even at a price — is an easy one. Efforts by the stock markets to attract new issues from family business have also largely falled because of the financial transparency required

But many families tear themselves apart - often in public - as well, which makes them easier targets for buyers. Rapid modernisation and the collapse of the traditional catholic values that apparently held Francoist Spain together have damaged family ties across the land.
Once disciplined and caring Span-

ish clans have become flammable and brittle in the pursuit of money. Where young west Germans turned their backs on their fathers' busi-nesses, Spanish family members have begun to fight for pieces of the paternal action.

ot long ago Juan Gomez Cuetara, founder of the country's biggest biscuit producer, which bears his name, felt himself driven to go to court to force his squabbling children to return the shares they had inherited. Gomez Cuetara is 90 years old. Few people will recognise the symptoms of decay in a Spanish family business quicker than Charles Burdett, an Anglo-Spaniard and chairman of the flourishing Hispano Suiza industrial holding group in Madrid. Burdett has bought four family businesses in



Last February, he bought Eurobag, Spain's biggest supplier of chic carrier bags to upmarket boutiques and shops. The founder's three sons had joined him in management, but he also had four daughters, each of them married. They and their hus-bands, excluded from the business, began to pester him about their financial positions and to suggest that family harmony might best be achieved by early delivery of their inheritance. Burdett had seen it all

"The father normally goes to the family lawyer and says What do I do?" The lawyer says sell, which is usually the beginning of an elaborate ritual in which the seller does his best not to concede that he wants to sell.

The presumption is that if the business is for sale you're going to knock hell out of the price," says Burdett. "The lawyer comes to see you, and you talk about collaboration or something. Maybe you go to the factory on some pretext or other. Anything but as a buyer. The owner does everything but day he owner does everything but dar la

Eventually, he says, "there might be a meeting in a bar" with the owner. "and a hastily constructed balance sheet that has nothing to do with the balance sheet you do with the balance sneet you finally get when you buy the company. You negotiate, sadly, on the basis that he is going to be asking for double what the company is worth. Ten years ago he would have asked for 20 times. People have become more realistic."

"They are great salesmen and they can be very persuasive," says Burdett of the Spanish. Guinness, which bought Cruzcampo on the confident promise from its owners that per capita beer consumption in Spain will double to German levels, will appreciate how the smooth talk

The Cruzcampo price was excep-tional, but family disunity, greed, incompetence and fear of the tax-man will probably continue to stimulate mergers and acquisitions activity in Spain for some time to come. There is no end of targets and individual operators in the field. If

willing buyers as recession grips Britain and the US. Camp was a good example. By 1989 it was Spain's largest indepen-dent manufacturer of detergents, with up to 25 per cent of the Span-ish market despite heavy multina-tional competition. It was owned by three Catalan brothers and the children of a fourth who had died in an

Camp was in financial trouble in the mid-1980s and the brothers hired a chemical engineer; Manue Luque, to run the company. Luque turned out to be more than a chemist, though, and launched Spain's most successful-ever TV campaign, featuring himself, to drag the company from loss to profit in two years. But Luque's fame irritated two of the brothers, who tried to remove him. The third, senior, Camp brother finally joined them. The children of the dead brother backed Luque and the fight for power in the company attracted multinational buyers like moths to

Procter & Gamble actually paid a deposit for Camp but was dropped 1944 and then, strapped for cash, sold to Beatrice Foods of the US in 1978. Ballve has floated 15 per cent of his company on the stock mar-kets and has become one of Spain's

most aggressive exporters.

The Botin family that runs
Spain's most aggressive and expansionist bank, Benco Santander, has meanwhile managed to hold together and is taking its fourth successive generation into manage-ment. Treasured (or desired) clients sometimes get to play golf with Seve Ballesteros, who is married to the bose's daughter.

The March family recently took control of the prestigious and revived Banco Urquijo to add it to their cash-rich and energetic empire of financial and industrial holdings. Enric Bernat, the ambitious founder of Chupa Chups, the world's largest producer of lolli-pops, has taken his sons into manement and is diversifying into

financial services.

Bernat represents a particularly
Catalan weakness for family-run
businesses, especially in the foods
and drinks sectors. Vilafranca de Penedes, a small town near Barcelong, boasts more than 200 family owned producers of Cava, Spain's

I here is tenacity, too. The three Fierro brothers run-ning a big industrial and banking group, Fosforera, founded by their father in 1882, ran out of money in the mid-1980s and had to sell off their main holdings (including Banco de Finanzas, which was bought by Chase Manhattsn as a retail base in Spain but which is up

for sale again). Two of the brothers pooled their resources and the remains of the empire are now being run by the elder brother's son. Alfonso, He has elder brother's son, Alfonso. since bought a small bank, the Sindihank in Barcelona and has been quietly adding little companies to the Fosforera portfolio again. It is an important come-back.

But the Botins, Fierros and Bernats are exceptions at the top of Spain's business ladder. In Banesto, most of the conniving old banking clans have been tossed out by its new chairman, Mario Conde; the only notable survivors are the Herrera family that manages and owns part of Banesto's refining affiliate,

accounting laws come into force will change family business forever in Spain and remove the one thread that runs through all the country's family businesses, and, indeed, Spanish culture in general - the exclusion of outsiders. It means, probably, that Spain's pool of acquirable targets will grow even if

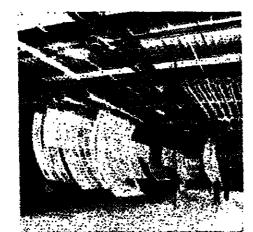
prices do not. Survival, if that is what the family business ought to be doing, prob ably depends now on being too small to be noticed.

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atching Miriam Margolyes on Tomght With Jonathan

Ross you could see why the Americans have taken

to her in such a big way: she is outra-geously outspoken. In the tiny amount

of time allocated to her she scolded Ross for calling her one of the best voice-over artists in the business -

"Not one of the best, the best" - con-

fessed with her usual beaming smile to being a great farter, claimed that she

needed to exercise every day in order to

needed to exercise every day in order to remain strong enough to carry around all that weight (she illustrated by jugging her bust like a street trader flogging melons) and promoted her forthcoming one-woman Dickens show. It was highly entertaining. But why is Channel 4 screening a chat show at 6.30, three nights a week? Did they feel this was what was really missing from

this was what was really missing from the schedules? Was it considered a

minority interest not served elsewhere? Musing on the famous instruction

which is supposed to inspire the entire channel, "Be different", did Michael Grade and Liz Forgan suddenly chorus "I know! Thirty minutes of early even-

Technically the most interesting thing

about the Panorama Special on the appalling way in which the Guildford 4 were convicted despite all the evidence in their defence known to the prosecution, was that it proved you can still approach to the proved you can still approac

make a perfectly reasonable, indeed very powerful, programme about a mis-carriage of justice without resorting to the drama-documentary methods which are now so fashionable. I have nothing

against drama-documentary; the pro-cess can be very effective. But it is good to be reminded that conventional cur-rent affairs programmes can also be highly successful.

"Guesting" (an interesting modern verb, only slightly less peculiar than the noun "guest-host") on the Pete Mur-ray Phone In on London's LBC Radio

last week, I expressed my irritation over the final episode of House Of Cards which, I felt, had left us in the air.

Clearly Mattie was dead and the schem-

ing Urqhart was on his way to the Pal-ace to kiss hands, but there had been a

shot of Mattie's tape recorder with its

red light still blinking. It was unclear to me, I said, whether or not we were supposed to believe that the wicked

Urchart would get his come uppance. This prompted several phone calls, the first from a listener who said she had

been watching very carefully and Mat-tie had dropped her tape recorder at the

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Magdalena Eberie as Stella and Ingrid Andree, Madame Sommer Stella SCHAUSPIELHAUS, COLOGNE

vinist dream as just that — an impossible fantasy — and recasts domestic intrigue as fairy tale. Enchanted garden, mythic characters, baffling emotion spun out into daydreams. Below the surface, psycho-drama finally smashes theatrical conceit: Kramer's comment on Goethe's dream.
It's a challenging revision,
bringing a classic unpredictably to life.

As we have come to expect from Kramer, there's much to please the eye. The set is a playground — seesaw, giant swing hanging from the calling down to the pit. The stage is covered with leaves, there is a sprinkling of earden chairs and sprinkling of garden chairs and a sunshade. Lighting turns the leaves day-green or rusty; lanterns glow orange to suggest late summer evening.

Kramer's theme is that fantasy is lonely, Paradise means different things to different both in mourning for the man sion. In a startling perfor-

Robin Hood

isn't!" people were calling, only

moments after curtain up. It hardly mattered that these

cries were irrelevant, and that there was nothing behind poor bewitched Cedric the Tree, who was delivering the Prologue. We were just a

dream audience at Stratford

ornamenting the song with echo effects, pelting apples at the haddles with expert marks-

manship. The sense of commu-sity that makes this theatre so

specialis at its best in parito-

nime season.
This Robin Hood, written and composed by Patrick Prior

and Dave Brown, is very

nearly a dream pantomime. It Jaughs at itself and it hardly

ever flags. We knew it would have Robin and Marian and

the Sheriff and Sir Guy — but we hadn't realised that Robin would be the worst archer in

Erigland, saved by his mother

le Fay, and we were glad to encounter Ethelwolf the

We hadn't expected Morgana

Nearly Ready and Egbert the fection - and then it turns out

and his girlfriend.

THEATRE ROYAL, STRATFORD EAST

For every 40 productions of Faust in the German theatre, there is perhaps one of Stella, Goethe's unfashionable story of a menage à trois. Now Gunter Kramer has found a new way into this "problem" play.

Kramer takes Goethe's chan-vinist dram and karl are transformed into mad kids who Annohen and Karl are transformed into mad kids who speak the truth through demented retellings of fairy

Each begins with a fabled role. Madame Sommer (Ingrid Andree), fragile in black lace, bird-like face twitching beneath veil, sways in mute misery on the swing, the spec-tre in the garden. Stella (Mag-dalena Eberle), in white tennis dress and plimsolls, waist-length tresses, is the princess pining. Lucie (Karina Fallenstein) is story-book innocence; Fernando (Susanne Barth) weak-willed evasion. All act, dance, mime more than they speak; balance on seesaws, carry one another piggy-back, play hide and seek and ringa-ring o'roses. Cartoon anima-tion comes to mind: bright,

Character emerges out of playfulness. Stella's chattering elegy is pierced by pain when she learns that Fernando is people. It's the lost Eden of married; sick hysteria gives Stella and Madame Sommer, way to worn out incomprehen-

"Behind you!" and "Oh no it Unwashed. We had guessed that these outlaws - "Even

that Widow Hood would be

played *en travesti* but not that Little John, Friar Tuck and co.

would be too. We had heard that Robin and the Saxons

would be the victims of over-

taxation, but we hadn't known that the baddies would carry a

sack marked "III-gotten gains".

Nothing had prepared us for the Sheriff's happily horrid

henchman Lickspittle - the

excellent Philip Pellew. This

gleefully gruesome thug gets so excited by the idea of bash-

ing up the Saxons that he thwacks himself with his own

ball-and-chain. When finally he has Robin stretched on the rack, he is in his element, and

he addresses his audience like

a conjuror: "Please observe

that during this act my fingers

will not leave my hands. His

fingers, however, are another matter."

Robin after he has been out-lawed. "Be sure to wear a

woolly vest says Marian. He has a fight with Little John that is choreographed to per-

"Into the Woods!" sings

mance, Ingrid Andree's Madame Sommer changes from victim to organiser, even her face seems to gain strength from resignation. I was less happy about the pantomime casting of a female Fernando - easy to make the macho image crumble, harder to sug-gest sexual tension in the first High comedy is the counter-

point to sturm und drang excess. When Stelle is revived with a moistened cloth, Annchen is pelted with wet Announ is period with with rags, slapstick punishment for telling the truth. As the fat, crazy, well-meaning fully-grown child, Maria Happel nearly steals the show. Kramer gives her the key lines: the tale of a count who went to war. was held to ransom and saved by a beautiful girl with whom his wife then agrees to share

This production is a master piece of contrasts. A screen projected on the stage wall shows a window on the outside world - changing traffic ights, a street sign, cars zooming past, people coming to peer into the theatre. Here is reality and dream, a brilliant trompe d'oell effect.

Jackie Wullschlager

our in-laws are outlaws"

hle playing

song-and-dance outlaws, I sup-

pose I should note that neither

Marian nor Morgana speak or sing as well as they move and

look, and that "Get a plan!" is

a weak second-half opener, but my heart wouldn't be in it.

This pantomime, directed by Jeff Teare, is a model of ensem-

The best thing of all, though

the show never calls attention to it, is the scenery. Sue Mayes

has painted several marvellous pastiches of mediaeval art — a landscape with a rabbit half-way out of one hole and a dog

with the best elsewhere.

Gaslight

Christmas, it is said, makes children of us all. The dusting down of forgotten enthusiasms is matched by a reaching out for old stories – the older the better, one sometimes feels, as one casts a jaundiced eye down the arts listings. Patrick Hamilton's +Gaslight+ scores on two fronts, by returning us to the cosy drabness of

dramatic one.

Both threads are picked up in Martin Johns' set of bizarrely etiolated staircase and furnishings focussing in on the eponymous, authentic, Victorian gaslights. The odd idiosyncracy

halfway into another, a city-scape of little Nottingham hugged by circular walks, and several more. Painted sets of this inventive wit and pictursource material esque beauty are rare anywhere now. There are no famous names in this Robin Hood, but Mayes's contribution is one of several features here will stand comparison Alastair Macaulay

ARTS GUIDE

top of the tower before being pushed off, so Urquart would find it and get away with everything. The second caller said the tape recorder had definitely fallen with Mattie to the ground below and the only possible implication of the close up showing it still working was that Urchart - though he might feel secure on his way to the palace - was about to be undone, a bit of dramatic irony since we knew the situation and he did not. Clearly one of these inter-pretations must be wrong, but which?

Chat, discrimination and prejudice

Imagine that Britain had a retiring prime minister who was male. Do you suppose for one moment that The Late Show would devote a programme to analysing his manliness, with a whole lot of men, but not a single woman, pronouncing upon his masculinity? Last week The Late Show invited Germaine Greer, Beatrix Campbell, Marina Warner and others to discuss Margaret Thatcher's significance as a woman. You would have imagined from what they had to say that Britain in 1990 was an unassailable bastion of male supremacy, you would never have guested that we had had a female sovereign for the last 37 years as well as a female prime suppose for one moment that The Late we had had a lemale sovereign for the last 37 years as well as a female prime minister for the past 11. Their attitude suggested that they believed Margaret Thatcher was a unique anomaly: none of them, it seemed, had ever heard of Golda Meir, or Mrs Bandaranaike, nor Barbara Castle or Bessie Braddock or Nancy Actor.

Despite the frequent appearance of programmes of that sort we are still regularly told that there are far too few "women's programmes". The previous week The Late Show discussed the fate of Radio 4's Woman's Hour and there was the usual whingeing. Had the token male (Simon Jenkins, who appeared to be acceptable because he, too, sounded like a faminist) pointed out that there had never been a Man's Hour and that there was not a single Hour and that there was not a single "men's programme" anywhere on tele-vision, no doubt we would have had the usual eyes-to-heaven reaction from the feminists followed by the familiar weary claim that all programmes have always been "men's programmes". This assertion now seems to be so widely accepted by television producers that the idea is no longer even discussed, yet it is absolute piffle. *Newsnight* does not habitually discuss testicular cancer, the problems of fatherhood, and the diffi-culties of finding traditional white cot-ton jockstraps. It is not, in other words, the male equivalent of a "woman's programme". The trouble with feminists is



Jonathan Ross: not exactly different on Channel 4

that they want to have it both ways. First they insist that the character, temperament, and emotions of women are so different that they must have special programmes, then when you suggest that these differences may explain why it is so difficult to find women who show up well on Question Time they become furious and insist that in character, temperament, and emotions women are no different from

Satellite television is not a complete dead loss. In addition to Sky News which proves useful several times a month — well, at least a couple of times on average — there is always MTV, the rock video network, which runs 24 hours a day. Once in a while, in the middle of the night, when you are restless and don't feel like reading a book, it provides just the sort of mindless. it provides just the sort of mindless movement which may be needed, serving, no doubt, much the same purpose as a mobile over a baby's cot. Watching under these circumstances recently I saw a video called (I think) "Take On Me" by a group named (I think) Aha. It was one of the most impressive pieces of technical virtuosity I have seen in years. A girl in a cafe is reading a comic

from the page, as with Excalibur in the lake, and the girl is drawn into the comic strip, whereupon the style of the video switches from realism to animation. When the cafe owner crumples up the newspaper, the effects are felt within the life of the comic strip. Why do drama departments seem so incapable of using this sort of exciting technique in their work - sheer expense?

Last Tuesday when I drew attention in the notes at the bottom of this page to BBC1's forthcoming 100-minute drama Dark City which was described as "a political thriller inspired by current events in the townships of South Africa", I was somewhat sceptical about our chances of seeing "necklacing", or bodies such as Winnie Mandela's "Football Club". Wrongful arrest and vicious beating by policemen seemed more likely, I suggested. This prompted script writer David Lan to write asking why I thought he was likely to be "less than honest" about the nature of violence in South Africa. The answer is that I had been affected by years of one-sided, one-eyed "liberal" representations of South Africa on British television. Our programme makers seemed to be just as racially prejudiced as the South African government, the only difference being that while the latter thought that blacks were evil and whites could do no wrong, our programme makers reversed the order of the colours. But David Lan was right to protest: it was wrong to project other people's shortcomings onto him, and of course his drama proved my assumptions unfounded. Though his film did indeed show victous police activity it also included necklacing in all its horror, and black vigilante activity (aimed at enforcing a boycott of white shops) which was remarkably nasty. There were weak-nesses in the work it would have been useful to know how the black villain became Mr Big, for instance, and it was not clear to me whose voice the vigi-lante heard over the van's headphones. Neverthless, this was so much more honest (albeit bleak) than anything else on the subject on British television that one cannot forebear to cheer.

While the sackcloth and ashes are still handy: last week I said that A Tribute To Denis Mitchell was screened by ITV. In fact it was shown by Channel 4. My

Christopher Dunkley

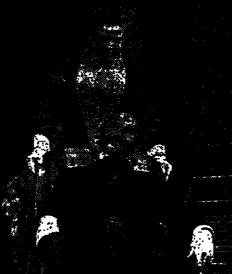
the Victorian parlour — source of so much of today's Christmas culture — and then tickling our spines with a spanking good yarn.

This "Victorian thriller," which was in fact

written in 1938, has a sharp gothic feel resulting partly from the theme of madness (Mr Manningham, murderer and jewel hunter, is trying to drive his wife into an asylum), and partly from Hamilton's clever use of lights to power the suspense. They fade as the villain returns to the house, transforming narrative energy to a

such as a desk where the script specifies a cupboard — is symptomatic of a production which Annie Castledine directs with a robust disregard for the miceties as if she cannot quite decide whether to send up, or go along with, her

Her Mrs Manningham (Sally Edwards) is no blushing flower, but a full-blooded hysteric who has been convinced that her passion is somehow part of her madness by a husband (Robert Pickavance) with the sneer of a starved wolf. Their opening scenes are overloud and boisterous, stressing the burlesque of the plot at the expense of its nastiness, with the result that one loses the frisson of sympathy that might exist for a more hagridden victim.



Sally Edwards and Robert Pickavance

Likewise, the sexual taunting that is embod-ied in the impertment maid, Nancy, is blunted by the perverse casting of Charlotte Baker, a square set actress whose impudence seems comsquare-set actress whose implacence seems con-ically truchent rather than deviously appealing. But, it is on the detective, Rough, that the duty falls of regaling the audience with the story to date — and therefore with most of the plot — and Bernard Gallagher discharges it well, with more than a little help from the on-stage plano tinkling and ominous falsetto of musician Peter Hayward. This is a fine touch in

Claire Armitstead

December 14-20

RSC is the main beneficiary of the new Enhancement Fund As widely anticipated the Royal Shakespeare Company has been the main beneficiary to the public's difficulties with its challenging programm of 20th century opera, while the Royal Opera House is of the Arts Council's £22m having some success in balancing its books this year Enhancement Fund, a wheeze whereby selected arts ompanies can be rewarded Only 45 of the 170 clients with above average increases in their 1991-92 of the Arts Council are rewarded with Enhancer grants, and for the next two ney, and most of them will have to prove their worth by balancing their books,

While most arts organisations learned yesterday that they would receive 7 per cent more from the Council next year the RSC is favoured with a 30 per cent increase in grant, bringing it up to £7.87m. This sents an 8 per cent basic rise, plus an extra £1.35m in Enhancement Fund money. If all goes well the RSC will receive identical tranches of

years. But, in theory, there are trings. The RSC must prove to the Arts Council that it can attract matching money, presumably from local authorities or commercial sponsors (a hard task in the current economic climate) and that it can balance its books and eliminate its deficit of approaching £3m.
It is doubtful whether, on its own, the money will enable the RSC to return to its London home in the Barbican

Much depends on its success in conjuring up matching cash. It has already approached the City which, having bailed out the company having bailed out the company a few years ago, may be reluctant to help again. The idea of the Council withholding money it has promised, or demanding it back because a client fails to deliver its side of the bargain, is faintly ridiculous and doubtless, if the coupanies do their best the extra cash do their best, the extra cash will go towards reducing, if not eliminating, deficits. In contrast the National Theatre is not Enhanced although it does get a 10 per

cent uplift in grant, to £9.85m. This is in recognition of its success in balancing its books while the others of the Big Four are facing deficits. There is obviously going to be no easy solution to the problem at the Royal Opera House, which has a deficit approaching £4m. It gets just £700,000 in Enhanc money and a total grant, excluding the Rirmingham Royal Ballet's £3.6m, of

Its great, if friendly rival, the English National Opera is boosted by 2800,000 from the Fund, to a total grant of £10.43m, an overall rise of 15 per cent as against an 11 per cent uplift for the opera side of Covent Garden's activities. But the ENO is suffering a 6 per cent fall in audiences this year against its forecast, due as much to the general decline in West End theatre going as

English National Ballet with £400,000, are particularly generously treated by the Fund. The LSO also gets 2400,000, for an overal rise of 75 per cent to just over 21m, but the other three major London orchestras lose out. This year the Arts Council has taken its courage in its hands, and with a higher than anticipated sum from the Government has been selective in its grants rather than treating everyone equally well, or badly. For example, the South Bank arts centre gets just 5.5 per cent more,

improving artistic standards,

and - most worrying of all - attracting matching sums

three year bonus. Opera North, with £685,000 more and

to continue to receive the

gets just 5.5 per cent more, at £12.26m, whereas the ICA, with no great reputation in recent years, is boosted by 35 per cent (which includes Enhancement cash) to £701,500. The Council is improved by the ICA's new impressed by the ICA's new management team's plans, but reckons that the South Bank is well enough managed to get by on less. Some regional theatre companies, like Bristol Old Vic and Liverpool Rep, get no rise at all in grant while the Crucible Sheffield and Northern Stage in Newcastle are threatened with a sizeable cut. Here, the Council is trying to force local authorities to boost their grants. The

Regional Arts Associations who act as paymasters for the smaller arts groups, in general will get just over 8 per cent more to distribute, although Greater London Arts is limited to a 2.5 per cent incres partly because it has accumulated funds, and partly as window dressing in an attempt to ensure that the expenditure per head on the arts is spread more evenly across the UK. The new Minister for the

Arts, Mr Tim Renton, saw the Council's list of grants and bonuses but made no changes. Today he will announce his first decisions - over how the devolution programme involving nearly 80 large arts companies will be put into practice. After yesterday's generally good news this will prove less popular among the 30 odd companies who will er that their appeals against delegation have been overruled.

Antony Thorncroft

EUROPEAN RELOCATION

The FT proposes to publish this

June 17th 1991. It will be of particular interest to the 61,000 businessman involved in decision making about Office Property who are also regular FT readers. If you want to reach this important

audience, call Clive Booth on 071 873

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THEATRE

The Rehearcal (Garrick). Jean Anouilh's play directed by Ian McDiarmid with costumes by Jasper Conran in a production that has received excellent reviews (071 379 6107).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Ger-nett's 1955 novella, Musically nett's 1955 novella. Musically interesting and well directed by Trevor Nunn. A probable, but unspectacular, hit (339 5972), Hamlet (Lyric Hammersmith). Check by Jowl's idiosyncratic production, directed by Declan Donnellan (071 839 2244). Absurd Person Singular (Whitehall). Revival of early Ayckhourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years — Moira Redmond, Richard Kane and Lavinta Bertram on time form in a produciram on fine form in a produc-tion which confirms Ayckhoum's early bleakness (071 867 1119). Extended until January.

Man of the Moment (Globe). Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipulation (437 3867).

Falsatioland (Lucille Lortal). It will be known as the first musical about Aids bitting New York but it goes much further than that, showing the effect than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitz-vah and his parents, all three of them (924 8782). Grand Hotel (Martin Beck). Tommy Tune, Broadway's pres-ent musical doctor, directs this remake of the Garbo film to shake the hones of this inert shake the bones of this inert

depiction of lives criss-cro in an elegant, but somewhat ran-dom setting (246 0102). Cats (Winter Garden). Still a sellout, Trevor Num's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically felins (239 Miss Saigon (Drury Lane). Spec-tacular and successful musical about a love story between an American GI and a Vietnamssa

giri during the fall of Salgon in 1975 (1971 896 8108). Into The Woods (Phoenix) Julia Mckenzie shines as the witch in Stephen Sondheim's compenozzaj. Les Misérables (Broadway). The magnificent speciacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama vega scone. dium of fairy tales. The title song is more memorable than a story-line that descends into recrimi (239 6200). Plumform of the Opera (Majestic). Stuffed with Maria Bjornson'.

nation and chaos as the charac-ters' dreams turn sour (867 1004). Cais (New London). The formula of T.S. Kilot words, Lloyd Webber music and felius dance has made that Britain's longest synthes. gilded sets, Phantom rocks with Andrew Lloyd Webber's haunt-ing melodies in this transfer from London (239 6200). Gypsy (St James). This 30th annimusic and renue transcriptions this Britain's longest running musical (405 0072). Gypsy (St James). This 30th anniversary production is a reminder of the heyday of the American musical with memorable tune after memorable tunes, as well as a forceful plot about the ambitious stage mother who encourages her daughter into burlesque feat after. The Rocky Horror Show (Picca-dilly). Revival of the 1970s clas-sic, directed by Robin Letwre (071 867 1118). Wind in the Willows rewritten by Alan Bennett for the Christ-

oy Ann Bennet for the Carest-mas season. A strong comic cast includes Richard Relers as Raity and Gryff Rees-Jones as Toad, National Theatre, (07) 928 2252) Washington

Grand Hotel, the Musical (Opera House). Tommy Tune's five Tony award winning musical stars Liliane Montsvetchi, Brent Bar-rett and Mark Raker in the remake of the Garbo film that recreates decadent dark and recreates decadent, dark and dramatic Berlin of the 1930s. Kennedy Centre (468 4600).

Other People's Money (Royal

George). Corporate takeover artist Larry "the Liquidator" Garist Larry "the Liquidator" Gar-finkle is played for all his mis-chievous worst by Peter Van Wagner in Jerry Stern's funny and telling view of contemporary finance, directed here by the star of the off-Broadway production, Kevin Conway (988 9000). Phantom of the Opera (Andito-rium). The midwestern produc-tion stars Karen Culliver sur-rounded by the familiar chandeller and other heavy duty chandelier and other heavy duty props in a full blown staging

(602 1919).
A Christmas Carol (Goodman).
William J. Norris returns for
the 12th season as Scrooge in
the samual Goodman production

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Wednesday December 19 1990

Escape from the debt trap

onset of the debt crisis, in 1982, for industrialised countries to realise that the Third World debt problem would not be solved by creating new debt. In 1988 governments recognised that they would have to forgive some debt owed to them by the recovert countries. In 1989, the poorest countries. In 1989, the Brady initiative signalled international help for the process of lowering Third World debt owed to commercial banks.

These belated steps have somewhat reduced the debt burden, as the World Bank underlines today in its annual assessment of developing country debt. But, as it also suggests, much remains to be done before the debt crisis can be consigned to history.

The immediate risk is that conflict in the Gulf would reverse much of the improvement in the debt positions of oil-importing developing countries. tries. Beyond that, the benefits of debt relief can be negated by changes in exchange and interest rates, and the terms of trade.

The report also indicates how little the poorest countries, whose debt is mostly owed to official creditors, have benefited from the 1988 debt concessions, known as the Toronto terms. This is why Mr John Major should not let his domestic concerns prevent him from pursuing the debt initiative for the poorest countries be announced, when chancel-lor of the exchequer, in Trini-dad. This proposal could result in a deep and long-standing cut in the still intolerable debt burdens of the poorest countries.

Bold reforms

Official debt is not just a problem for the poorest coun-Three-quarters of Poland's fast-growing debt bur-den is owed to governments. As the US and others have recognised, the country's bold reforms could be made unworkable, unless it is relieved of a large part of this

As for the commercial bank debt of the middle income countries, the Brady plan has, the Bank estimates, resulted in savings equivalent to writing off one-third of the commercial bank debt covered by the agreements reached so far.

Mexico, Costa Rica and the Philippines and is on the way for Venezuela and Uruguay. Nevertheless, Costa Rica's Nevertheless, Costa Rica's economic reform programme appears to be slipping, and the Philippines may need yet more debt relief. The biggest debtor, Brazil, remains a huge challenge, and for others, the benefits of the Brady plan appear to be slow in coming.

Profound restructuring By contrast, Mexico appears to have a chance of converting the modest benefits of its Brady deal into a long-term resolution of its foreign debt problem. This is because it has combined the confidence-building elements of its deal with an economic restructuring more profound than many close observers of the country thought possible. There are signs of a modest increase in foreign investment, a return of some flight capital and voluntary borrowings in the bond

In short, the debt crisis is slowly, unevenly and painfully being resolved, as interna-tional policy-makers stumble towards a framework analogous to commercial bankruptcy for sovereign debtors. A framework that functions properly could reduce this period of transition. The goal at least is clear. It is to reach a situation in which domestic and international investors view a given debtor country as once more a suitable home for their funds. In the mean time, the growth in the share of Third World debt held by the official sector is an inevitable consequence of the present phase of the debt strategy.

However important, debt for giveness will not solve the economic problems of the Third World on its own. In addition, macroeconomic reform is required in the debtor countries themselves; property rights must be established to allow profitable and safe nt and, last but not least, a liberal international trading system must be in place. Generosity over debt reduction, hard-headedness over developing country economic reform and courage over their own trade liberalisation is what is required from the industrial countries.

t was billed as the biggest, the most open and the most unifled financial market in the world.

The plan was breathtakingly ambitious: building a single market in financial services in Europe meant knocking down centuries of estab-lished business practices, and cutting across areas that member states had

always regarded as their own. In the mid-1980s, financial services were more fragmented than almost any other European industry. A small handful of technical banking directives, a couple of minor measures on stock exchange listing requirements, and a dozen or so yellowing draft directives on the color of the col and a dozen or so yellowing drant directives on insurance were the only sign that anybody had thought beyond purely national markets. But now about half of the 50 European Community directives that will make up the single market have been passed, and the pressure is on to agree the rest. For the first time, the completion date of the end of 1992 completion date of the end of 1992

eems possible. However, it is becoming clear that the structure of financial services may resemble only in passing the original vision. On January 1 1993 there will be no dash into the Portuguese stockmarket, neither will there be a flood of Danish insurance companies. nies establishing themselves in Paris. The savings from a single market in

financial services are not going to come quickly; the Ecu23ba a year – 0.7 per cent of Community GNP – cited in the Cecchini report, a Com-mission document that set out the gains of the single market, now looks far-fetched. Even with all the EC measures in force, deep cultural differ-ences will remain in the way business is done, in taxation between member is done, in taxation between member states, in consumer patterns and loyalties. It may be possible in theory to sell financial products anywhere, but building a sales network is likely to be prohibitively expensive. Meanwhile, an antiquated payments system means that the simplest cross-border payment can take weeks. At least for the consumer a single metric. least for the consumer, a single mar-ket in financial services is likely to remain a fiction.

By contrast, in the wholesale mar-kets, which process large transac-tions, there is already plenty of crossborder action, though this is less European than global Electronic trad-ing, the lifting of capital controls, and a spate of banking and securities mergers have all shifted the focus of markets beyond national frontiers. The big financial reforms that nearly all EC countries are carrying out are not an attempt to steal a march on beat 1992 but are designed to increase their attractions as international financial centres. London did not wait for any EC directive before its Big Bang in 1986, neither did Italy need the second banking directive to pass laws giving its banks more freedom. This does not mean that the scores of EC legislators and negotiators are wasting their time. The new directives will prevent countries from introducing rules that keep each other out, and will also set minimum regulatory standards beneath which member states cannot fall. The effect of the hype itself may also be helpful, perhaps prompting countries to liber-alise faster than they otherwise might, and encouraging companies to stop thinking national

After five years of haggling, there is now a broad consensus among mem-ber states over what the single market will look like. "We have tinkered with some deadlines and changed a few words, but we have not compromised on a single matter of impor-tance. All member states now agree with the basic principles we are trymission official. The problem is more to find an approach that is compatible with the starkly different ways of doing business in different member states. At first sight, British habits look irredeemably liberal, French, Belgian and southern European habits somewhat protectionist, while the

Lucy Kellaway and Tim Dickson examine the deregulation of financial services in the European Community

Painful birth of single market



Germans' are a mixture of liberal and over-regulated. On closer inspection the differences are more complicated, with alliances ever-changing and shifting, but with agreement possible on a basic model.

This consists of three elements: freedom of capital movements across the Community, freedom for EC com-panies to set up business wherever they like, and freedom to provide services in different countries. The first has been in place since last July, and the effect has been marked. The result has been far greater internationalisa-tion of portfolios, which in itself has increased the pressure to allow companies to raise money wherever they like, and for them to be able to do business anywhere.

In each sector the idea is that companies should have a "single pass-port", which will allow them to do business anywhere in the EC. In the jargon, the system is being built on three principles: home country control, mutual recognition and minimum harmonisation. In plain English, regulators will issue the passport to their home companies and will regulate their companies' operations all over the Community. For the system to work, those regulators must be accepted everywhere. That in turn regulation set at EC level - covering crucial matters such as the capital requirements of banks and brokers must be in place everywhere. One effect of this has been far

greater co-operation between EC regulators. Although banking regulators have always co-operated, in securities and in insurance the idea was relatively novel. A single market may not entall a single regulator but it does mean a greater overlap between regulators. Co-operation is being reinforced by new directives on insider trading and money launder-

ing, agreed on Monday.

Progress in building the model has edged along at different speeds. The easier parts are through, with the more difficult measures left until last.

• Banks. The Second Banking Directive, agreed last December, was the first example of single market princi-

Even with all the EC measures in force, deep cultural differences will remain in the way business is done

ples, and provides the best glimpse into how the new system will work. After 1992 it will allow banks to pro-vide a whole range of services from lending to advisory work to securities business. Some British bankers are scentical about its effects, arguing that the freedom to establish any-"Sir Leon Brittan talks as if he has just created the greatest banking mar-ket in the world. That is baloney," says one senior British banker. Critics point out that there are too many banks in Europe anyway, and that the costs of setting up branch networks overseas are prohibitively high.

In some countries the effect of EC banking legislation may be enormous. In Germany, for example, banks are not allowed to sell money market funds, whereas in France the market for such funds is thriving. The pros-pect of French banks seizing this mar-ket in Germany after 1992 will proba-bly mean that German law will be changed, with potentially damaging results for bank profitability. According to McKinsey, the management consultancy firm, such liberalisation could mean German banks could see their profits fall from \$3bn to \$1.8bn a

The banking directive is relatively open to the outside world - a pattern to be repeated in the other directives. Non-EC countries' banks will be welcome in the EC unless they discriminate against European banks at home. The idea has been to convince the rest of the world that the EC is not a fortress, and to encourage liberalisation elsewhere, by example, not by coercion, and so far it could be having some effect. Sir Leon Brittan, EC Commissioner for financial services, has been touring the US making flag-waving speeches, and EC legislation is being used as an argument in the US for abolishing restrictive US banking practices.

some of the barriers for investors, issuers and intermediaries is in various stages of discussion. For investors most of the work has been done by removing capital controls; for issuers some progress has been made on com-mon stock exchange listing particu-lars. Protection for investors is to be

improved through a ban en insider trading, limits on share disclosure, and common rules to be established in the conduct of takeovers.

The challenge is now to create the famed single passport for investment companies and to set the intuluum capital rules. Finance ministers are still squabhling over the details, but a solution may be in sight for the beginning of next year. A bridge needs to solution may be in sight for the begin-ning of next year. A bridge needs to be built between two fundamentally different approaches to consumer pro-tection: in France, for example, the regulations are rigidly applied to indi-vidual markets, whereas in the UK, each market is allowed to operate more freely, backed by a flexible regu-latory framework of authorised deal-ers.

Meanwhile the UK and Germany are engaged in a battle over the issue of capital adequacy for stockbroking firms. Germany is still opposed to see ing much looser capital restrictions applied to securities firms than to banks, while the UK is concerned that tight definitions of capital would put half its investment industry out of

• Insurance. Moves to liberalise what remains a highly fragmented sector have long been frustrated by a lack of political will, the daunting technical challenge of reconciling dif-ferent European regulatory traditions, and the sensitivities surrounding the issue of policyholder protection. But in order to weld 12 different, compartmentalised markets into a single mar-mentalised markets into a single mar-ket Brussels is seeking nothing less than to abolish separate host state authorisations and introduce the principle of home country control.

So far modest steps towards free-dom of services have been taken in the Second Non Life and the Second Life directives, which respectively allow genuine cross-border business for big company risks and where con-sumers on their "own initiative" seek an insurance policy from a company established in another EC country. But the big prize lies in the two proposed framework directives — one already on the table, the other likely to be unveiled early next year — which, if adopted, will introduce full mutual recognition by national regu-latory authorities and freedom for companies to operate on the basis of a

single insurance licence.

Although it seemed like a setback at the time Brussels' thinking is influenced by a 1986 European Court judg-ment. This concluded that "host" country rules were justified due to the lack of harmonisation in technical reserves, on the controls of the assets representing those reserves, and of policy conditions.

The two new "framework directives", plus the existing Insurance Accounts which includes most of the necessary harmonisation for non-life businesses, are aimed at agreeing common EC-wide rules for these three

The tough bargaining has yet to get under way in Brussels but EC officials maintain that all governments (including the Germans) now implicitly accept the principle of the single passport. Key issues, for example, are how far the Commission can get away with its avowedly minimalist approach to regulation and to what extent product design can be liberalised by eliminating national systems of individual policy approval.

Once the 20 or so key directives are the product the local letter machine again.

through the legislative machine, several areas remain to be tackled - Sir Leon has his eye on the market for pension funds. Otherwise the Commission seems ready for a future spent devising tiny and technical modifications to existing directives. It that the reforms deliver their prom-ise. It will also be up to member states to agree the most important measure of all - a single currency. Twelve different currencies and 12 different interest rates are not, after all, the best basis for a big, open and unified financial market.

Passengers must come first

AMERICAN Airlines' agreement to buy Trans World Airlines' services from the US to London, following the purchase of Pan American's simi-lar services by United Airlines, adds to the pressure for changes in two aspects of Brit-ish air transport policy: the methods of allocating capacity at London's congested airports, and the methods of regulating international services. international services.

Both American and United have made their purchases conditional on retaining the rights now held by TWA and Pan American to operate from Heathrow. Indeed, the value of the rights to fly to the UK would be a great deal less if Heathrow could not be used. But the present regulations governing access to Heathrow and the services between the UK and the US bar the transfer of such rights. Only airlines which operated from Heathrow before 1977 can now use that

arport.
The rules controlling the use of London airports are now being reviewed by the Civil Aviation Authority, while the Department of Transport is also studying more radical changes such as the auctioning of capacity at airports. Introdu-cing market forces into the allocation of scarce capacity at London's two main airports could solve this problem - as well as eliminating much of the value of PanAm's and TWA's present routes.

Negotiated solution

The solution to this dilemma is likely to come from tradi-tional inter-governmental bargaining during the current renegotiation of the bilateral agreement that regulates air-line services between the UK and the US. However out-dated the concept of agreements between governments to share out capacity on international services may seem, such agree-ments remain the basis on which international services

The future of these agreements needs rethinking now that the scope of deregulation in the airline industry within Europe is beginning to approach that within the US. There would be something rather odd about restrictive agreements to control the services between Europe and the

US, while a high degree of freedom exists at either side of the Atlantic. Mr Samuel Skinner, the US secretary for transportation, has said that the interests of the consumer should come first. If that was the case, there should be no controls over entry to the transatlantic or any other airline service, domestic or international: foreign airlines would be free to operate within the US and within Europe, and all bilateral agreements would be scrapped.

Ultimate objective

patiern of bargaining over the nature of the rights for British and American airlines to fly and American airines to hy between the two countries. In these bargaining sessions, when access to Heathrow will be traded against access to more of the US, the negotiators must remember that the inter-ests of travellers in each coun-try would best be served by increasing the number of ser-vices which the other country's vices which the other country's airlines could operate.

access to more routes in Europe. This suggests that, so long as bilateral agreements continue, the appropriate negotiating unit in Europe is the European Community, not the individual nation states. The next stage of deregulation for the European airline industry, which will come up for debate next summer, will concern the access of foreign airlines to routes within Europe, which will be a crucial step in promoting effective competition on European routes. European routes.

Decisions on this issue may affect the validity of existing bilateral agreements; and the Europeans will no doubt demand that access to Europe for foreign airlines should be matched by access to other matched by access to other countries, especially the US, for European airlines. In these complex negotiations it is to be hoped that the negotiators will not forget that the process is intended to benefit travellers rather than the airline indus-

stoned

While this degree of freedom should be the ultimate objec-tive, the current negotiations between the UK and the US are likely to follow the traditional

The British government can-not, however, offer what American airlines most desire: access to more routes in

Hizzoner gets

■ Ed Koch, the combative ex-mayor of New York, decided yesterday to help out his old friend Teddy Kollek, the who is fighting a losing battle to persuade foreigners — especially wary American Jews that the city is still safe to

The two set out, complets with a bevy of cameramen, to walk through the Old City, scene of the killing of nearly 20 Palestinians by Israeli police on October 8 and as devasted as enumbers in the Foly Lend as anywhere in the Holy Land by a slump in the tourist trade induced by the Gulf crisis and the Palestinian intifada. As the cramped alleyways of the mainly Arab Old City were firmly shuttered in response to a Palestinian protest strike, the pretence of normality was pretty unconvincing. It was completely shattered, however, when a rock hurled by some unseen intifada activist bounced off a wall and hit Mr Koch square on the top of his

Dabbing a small cut with his handkerchief, the former mayor gave a characteristic
- if rather hollow - verbal riposte. "I would hope that the Jews and Christians in New York and the United States would say: 'You're not going to keep us out of Jerusalem, you're not going to prevent us by stoning innocent people from supporting the people

of Israel." It was clearly not the moment for Mr Kollek to advance his favourite saw that the streets of Jerusalem are of New York City.

Final bid

■ Have all the City's brains been made redundant? For the first time ever Goldman Sachs's London office has had no completely correct answer

OBSERVER

to its Christmas quiz. Any reader who can supply them is in line for two jeroboams of fine champagne. The three questions are:

Which countries make up the difference between the G7 and the G10? Which exchange rate would Agent Cooper be most interested in this year with regard to Laura Palmer's

Which currency would a Persian wild animal carry while walking backwards to its royal resting place?
Answers to David Morrison by close of business tonight. Telephone 071-489 2291; fax 071-489 2968.

Patten time ■ What was the first question a City seminar audience bowled at Chris Patten, Tory

party chairman? No, it wasn't seeking the election date, nor hints about the shape of John Major's promised fresh agenda. It was whether the Irish government would change its constitution with regard to Northern Ireland.

Patten seemed peculiarly well prepared for this odd City inquiry.

He enthused that the advent

of Mary Robinson as president and the appointment of Cahal Daly as primate of All Ireland, said "an enormous amount that was good and positive about Ireland as a whole". He added: "In the wake of what that tells us about the Republic in the 1990s, there may be a more solid move to adjust the Irish constitution to remove the territorial claim to the North." This would then put on the spot those Northern Ireland politicians who

consistently avoided hard political choices, As for the mundane matter of the election date, Patten was pressing the advantages



"I wouldn't be part of a divided Soviet Union that would have me as a men

of giving the new team time
to develop some big ideas for
the 1990s. "We have to identify
a tune people can whistle."
Roger Palmer, the Kleinwort
Benson Securities' director
who organised the seminar,
interprets this to mean May/
Ivna 1992 is the most likely June 1992 is the most likely election date. He may be right. After all

Patten was a long time political consultant to Grieveson Grant, now part of Kleinwort.

Sid's lore

No prizes for guessing what Sir Peter Thompson, the not so retiring chairman of NFC, intends to do for his next career.

"Creating a nation of shareholders is the priority." he announced after his final NFC press conference. "I want to get all those Sids to take the next step and buy non-privatisation shares." Confessing this modest

ambition was the climax of

performance. Calling himself the last of the dinosaurs, he cheekily wished his successor hick and summed up his own performance by misquoting his favourite comedian, Ronald Reagan: "Not bad, not half bad."

Man. At his farewell dinner on Monday, Sir Peter was presented with a plaque bearing an inscription and a cobblestone from the company's 13-acre Camden development site. He could not be allowed to retire without getting something out of the site after almost eight years owning it.

Working on after hours at the North of England Building Society in Sunderland, head of investment services Brends Howard heard a phone ring. When she picked it up and

when sue picked it up and introduced herself, a female with a foreign accent replied: "Oh, I wanted to speak to the answering machine."
Obligingly, Howard asked if she could help instead.
"No," said the voice, "this is reasonal. I wante mech to. is personal. I must speak to the machine. Goodnight."

For the record

Tortuous prose ■ While British newspapers readers woke up yesterday to read that Mr Asil Nadir, the Polly Peck chairman, had spent the night in a London gaol, readers of Ginaydin, an Istanbul dally, were being treated to a rather different

version. Under the headline "An Ugly Plot Smashed," it announced that Mr Nadir had been set free after a seven minute hearing and a thirty hour "doubt-ful" interrogation, amidst Greek Cypriot panic and Turk-ish rejoicing.

"It seems that torture is not only practised among us [Turks]," brooded one Günay-din writer darkly. The newspaper in question happens to be the flagship of Mr Nadir's Turkish press empire

EBEL the architects of time

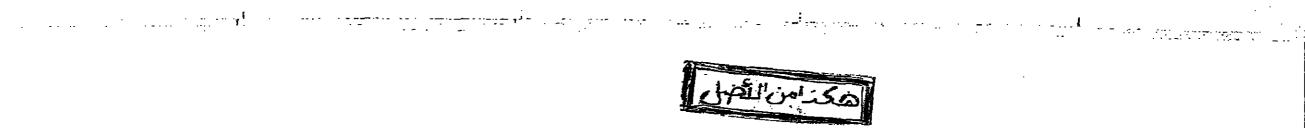


-1911-

HEURGON

joaillier depuis 1865 15, rue Royale

Paris



The tasks confronting Yugoslavia's prime minister, Mr Ante Markovic, become more Sisyphean by the day. Every time he tries to implement reforms, fresh obstacles appear. These force him to retreat. But the obstinate prime minister persists in pushing ahead with reforming his country's economy. So far, he has succeeded. It has not been easy.

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The country of 23m people over which Mr Markovic governs consists of an ungainly collection of six republics, each with its own traditions. Some, such as Slovenia and Croatia, were weaned on the Hapsburg sempire, while others, such as Serbla, were once dominated by the Ottoman empire. Some have their own language and religion. The Croats are Catholics, the Serbs are Orthodox, the Albanians are Moslem. The alphabet too is different. In Slovenia and Croatia, it is Latin; in Serbia, Macedonia and Montenegro, it is Cyrillic. There are few unifying forces in the

It was not always so. President Tito, who died in 1980, glued the country together. His authoritarian personality helped; so too did the memory of the second world war in which the Nazi-backed Ustashi movement from Croatia mur-dered tens of thousands of Jews and Serbs. Out of the ashes of 1945, Tito's communist Partisans created a new Yugo-

slavia. Tito had much sympathy from the international community. His break with Statin in 1949 ensured western support and financial assistance, even though it overlooked Tito's gulags, the tough Communistrun internal security, and the saddled the country which saddled the country with a \$20bn debt. These factors together guaranteed stability. They also relegated govern-ment to a status which had no power or moral authority. This is the legacy which Mr Mar-

kovic has inherited. In spite of this legacy, Mr Markovic's 20-month-old government has managed to push through substantial economic reforms as the country passes from Communist party control to freely-elected governments in all the six republics.

Inflation has been brought down from 200 per cent a month in 1989 to 10 per cent a month. The dinar has been made partially convertible after it was tied last January to the German D-mark. Prices have been freed and imports liberalised. Foreign companies have been given incentives to invest. But the next phase of the reforms, which include

The centre slowly loses its hold

Yugoslavia's federal structure is being fractured by nationalist feelings, writes Judy Dempsey



and a new fiscal system, have run up against the second and more lethal legacy bequeathed by the Tito era: nationalism. Ten years after Tito's death, nationalism has taken on a new and potentially destruc-tive dimension. The man responsible for placing nation-alism on the political agenda is the Communist Mr Slobodan Milosevic. Last week, he was elected president of Serbia, the largest of the six republics. Serbia is to the western republics of Slovenia and Croa-

republics of Slovenia and Croatia what Russia is to the Baltic states. It is big — it covers 35 per cent of the country's entire territory; powerful — it is the country's biggest food producer; and dominant — it has a population of 9.4m. Mr Milosper compared to the compared to the country's powerful — it has a population of 9.4m. Mr Milosper compared to the compar evic, a young ambitious com-munist official who entered the political limelight in the antumn of 1987, has attempted to reassert Serbia's dominace throughout Yugoslavia.

His stepping stone was the Belgrade Communist party organisation, the largest and most powerful in the country. He ousted all his erstwhile Communist allies on the grounds that they were corrupt and bureaucratic. He was hailed by Serbs as the one man who would clean up the ruling Yugoslav Communist party.
The Communist leaderships

in the other republics took fright They feared that Mr Milosevic would extend his zeal into their republics. Overnight, they donned the mantle of reformers by changing their names to social democrats. They called free and multi-party elections in the belief that if they were returned to power they could use the mandate to keep Serbia

at arm's length.
They were mistaken. Unwittingly, both they and Mr Milosevic unleashed the genie of

Free elections provided an ideal platform for nationalist movements in all the republics. Here, the political parties were based largely on ethnic back-ground. Until last May, when Mr Markovic founded his Party of Reformed Forces, there was not a single party which repre-sented "Yugoslavia". Instead, these new right-wing national-ist political parties in the republics pandered to ethnicity. The election campaigns during April and June in Slovenia and Croatia were specifically directed against Serbia and Mr Milosevic.

After his purge of the Bel-grade Communist party organisation in 1987, Mr Milosevic broadened his support by promising to regain for Serbia the southern autonomous province of Kosovo, which is inhabited by the L8m ethnic Albanians, the majority, and the northern province of Vojvo-dina, which is inhabited by Sarbs, Croats and Hungarians. In 1945, Tito had carved these two provinces out of Serbia with the expressed aim of curbing the powers of this proud republic. In 1974, they were granted more autonomy.

Because Tito had suppressed any nationalist sentiments, Serbs could not express their grief at having Kosovo, the seat of the old Serbian king-dom, separated from the Republic. What Kosovo is to Serbia, Transylvania is to the Hungarians: a mystical notion which arouses fiery emotions. This is understandable given the way Mr Milosevic tapped

the Serbian nationalism by promising to re-integrate Kosovo. The republics of Croatia and Slovenia shuddered at the prospect of a Greater Serbia. But they underestimated the extent of Serbia's intentions. Through constitutional amendments, the republics allowed Serbia to regain control over Kosovo in 1989 (and later Vojvodina) in the naïve belief that this would stem Mr Milosevic's political ambitions

and dilute ethnic tensions. It

had the opposite effect. The takeover of Kosovo was

a disaster. Scores of ethnic Albanians were killed during anti-Serb demonstrations and bundreds of ethnic Albanians were sacked from their jobs under the new Serbian admin-istration in Kosovo. These actions served to rekindle an Albanian political consciousness. As a result, the province is today ungovernable,
Mr Milosevic was

undaunted. Once he uncorked the nationalist genie, he pitted the ethnic Albanians, and the republics of Slovenia, Macedonia. Croatia and Bosnia-Hercegovina against Serbia. They feared a Greater Serbia domin-ating Yugoslavia. These fears have provoked a heated discussion about what kind of political structures post-Communist

Yugoslavia should construct.

Many of the republics are taking measures to protect taking measures to protect themselves. On December 23, the Slovene government will hold a referendum on whether this small republic should secede altogether from the fed-eration. Neighbouring Croatia, meanwhile, is drawing up a new constitution aimed at creating a confederation in which economic and political autonomy would be devolved to the individual republics. Mr Milosevic, for his part, wants to maintain the federal

system. The army is on his side. Earlier this month, Colonel Veljko Kadijevic, the defence minister, said the army, whose officier corps is 70 per cent Serb, would defend a socialist and federal Yugoslavia. Mr Markovic remains nonplussed, even though military intervention against the republics would have serious consequences for his economic

reforms – and for Yugoslavia. Against this background of nationalism and ethnic unrest Mr Markovic has remained above the political fray. He has continued doggedly to implement his economic reform policies, which paradoxically, hinge on the existence of an integral Yugoslavia. His optimism that Yugo-

slavia will continue to exist as a single state is based partly on the practical difficulties of coping with the physical break-up of Yugoslavia. How can we renege on 2,000 multi-lateral and bilateral agree-ments?" he asks. He also believes, some say naïvely, that reason will prevail over the present climate of inflamed national feelings. For the moment, reason is as

elusive as the republics reaching a consensus about what sort of political house in which they want to live. But if Yugoslavia wishes to enter Europe. as it desperately does, it is time the republics sat around the table to discuss their

The future of broadcasting

When the regulated 'capture' the regulators

By Sir Alan Peacock

ow that the Broadcast-ing Bill has received the royal assent, serious questions arise about how to interpret some of its conunusual in this. A government aying down the functions of a regulatory body, such as the new Independent Television Commission (ITC), has to steer a course between spelling out in detail how these functions are to be carried out and allow-ing discretion in the interpretation of legislative wording. Over-elaboration of regulations may encourage regulators to be inflexible and too cautious and to alienate the regulated -in this case the independent
television companies. Legislative clauses couched in inscruthe clauses couched in inscri-table language may tempt reg-ulators to exceed their brief as conceived by the legislators. The economist George Stig-ler has theorised that regulators are captured by the regu-lated, the result being, as Adam Smith would have it, "a conspiracy against the public". Producer groups, says Stigler, are easier to organise as a lobby than are the consumers of their products. This is certainly true of broadcasting. Government may unwittingly buttress the producers' posi-tion if it restricts freedom of entry into the market. This is also true of broadcasting. Both the formulation of legislation and its later interpretation will rely on producer co-operation, and this will be bought at a

price. The successful resistance put up by independent televi-sion companies to proposals to prescribe the times when news and educational programmes are screened is an example. The common assumption that companies passively react to stimuli from government agencies, like Pavlov's dogs, may be convenient but it is clearly erroneous. The truth is likely to be that government agencies become involved in continuous bargaining with the companies they regulate. The outcome may be both inde-

It is to the government's credit that, consciously or not, it has partially recognised the problem. It has tried to get round it by providing the regu-

terminate and unstable

lators with precise, unequivo-cal rules which neither regulators nor the regulated can easily manipulate. A good example is to be found in the Retail Price Index (RPI) + X formula – where X is an incre-ment – used to set prices in such diverse sectors as electricity, telecommunications, water and broadcasting. In the case of the BBC, the increase in the licence fee is simply tied to the licence fee is simply tied to the RPI so that X = 0. This does not prevent the BBC from arguing that X should be greater than 0, whereas the government is now considering whether or not to phase out the licence fee — that is to say X would take a progressively greater negative value.

It is ironic that the regulators Sir Bryan Carsberg (telecommunications). Mr Ian Byatt

communications), Mr Ian Byatt (water) and Professor Stephen Littlechild (electricity) who have to apply these formulas, must all be sympathetic to the Stigler approach to the economics of regulation. Now they

must prove him wrong.
However, the activities of independent television companies cannot be regulated by recourse to a formula. The Broadcasting Act sets an immediate test for the embryonic ITC - how to react to the Sky/BSB merger. This is a use-ful illustration of the problems in applying the "capture" the-cry. The incumbent franchise holders have been vociferous in their complaints about a "satellite monopoly" freed from the regulatory constraints under which they are expected to operate. They have sewn up the television market together with the BBC. While they have a firm hold on the television advertising market, the BBC has an assured income through the licence fee. If that market is to become contestable, one satellite inter-loper with some prospect of financial viability is better than two which could drive each other into bankruptcy.

Andrew Knight, chairman of News International, rightly argues that the merger, along with the existing terrestrial television companies, will soon have to compete with the other 25 channels on the Astra satel-lite. A merged Sky/BSB would,

in any case, have to obtain licences from the ITC, which becomes subject to the ITC codes of practice and quality regulation. It is hardly within the spirit of the Act that the merger of Sky and BSB should be stopped on grounds of restriction of competition. Competition would be even more restricted were it disallowed, and this is against the interests of the consumer who should be sovereign. One suspects that the ITC will please the ITV companies by answerthe ITV companies by answering the government's question
"is the merger legal?" by saying "no". It can then at least
claim that it has simply
applied the law as it was
meant to be applied.

Looking a little further
abead, the next test of Stigler's
thesis and distance the size of the size

thesis could arise from the spelling out of the meaning of "the quality threshold" when television companies bid for franchises. Dr Veljanowski demonstrates clearly in his recent article (FT October 16) that the growing competition between satellite and terrestrial broadcasters must force the latter to improve their operational efficiency. Only in this way can an ITV company find itself in a position to have both a chance of success in the franchise bid and to give share-

holders a satisfactory return on their capital. Dr Veljanowski is right, pro vided that the ITC insists on a strict interpretation of quality broadcasting. As the BBC gets away with a policy of keeping away with a poncy or keeping up its ratings by popular pro-grammes in direct competition with ITV, one has every sym-pathy with the independent companies placed between the Scylla of "quality regulation" and the Charybdis of growing competition. I would not want to place any money on the proposition that George Stig-ler's theory offers the best guess at the outcome. What I am sure about is that the problem will not go away.

Sir Alan Peacock, executive director of the David Hume Institute, Edinburgh, chaired the Committee on the Financing of the BBC which reported in 1986.

Survival of the highly competent

From Mr. Allen Sykes
Sir, In the course of a
thoughtful and wide-ranging
letter, Frantisek Nepil ("Competition is the key to success",
November 29) disputes the practicability of two proposals in my recent article on improving corporate governance ("Bigger carrots and sticks", October 31).

First, Mr Nepil believes my

proposal for allowing directors options on 5 to 10 per cent of a company's equity in return for putting at risk, in advance, up to two years' salary, is both too generous and likely to cost shareholders half the equity over a century. My article was too short to contain a full too short to contain a full explanation of my proposals plus the necessary qualifications (see my David Hume Institute paper). My 5 to 10 per cent proposal is merely illustrative, applicable only to a medium to small company. For a huge company it might more appropriately be but a fraction of 1 per cent. Also I recommended that the CBI, IOD and other appropriate bodies with

From Dr Harold W.D. Hughes. Sir, In your survey ("Granite city, buoyant again", Scotland

survey, December 14) you cover the outlook for the off-shore oil and gas extractive

industry and comment, rightly,

on its long-term future. If any-thing, you understate that future. The UK Offshore Opera-

tors Association's own study last autumn, carried out with

input from 36 member compa-nies, showed an expectation of

full investor representation should be involved in developing the appropriate incentives. My proposal is based on a dis-like of the present system like of the present system which gives directors free options but is confined to only four times salary. Long experience of successful MBOs and MBIs shows that when directors risk up to two years' salary but can earn significant equity rewards (far in excess of four times salary) when they achieve stretching targets, all achieve stretching targets, all other investors do very well

A much superior incentive scheme offers great advantages to investors, since superior per-formances will far outweigh the cost of the options.

The equally important point to note about my proposal for directors is that it would strengthen the quality of boards since only the highly competent would risk up to two years' salary. Further, only they would be acceptable to their fellow directors and to the powerful long-term investors inherent in my other two

A bright outlook for Scottish oil and gas industries

an industry still producing well over 1m barrels of oil a day in 25 years' time, com-pared with a current UK

pared with a current OK self-sufficiency figure of about 1.6m barrels a day. Although oil price will always be a determinant of activity, we expect this position to be achieved through the development of between 100 and 200 year fields.

between 100 and 300 new fields,

many of which have already been discovered. With gas, the UK position is even healthier,

complementary proposals.

Mr Nepll's second point is to doubt whether long-term funds could be cheaper with a bank as a major shareholder and the provider of a large large part of capital as long-term loans. He mistakenly believes a bank would need to use the higher equity returns to subsidise the loans. My proposals involve a bank having a significant equity stake such that with the other three to five proposed investment institutions they could provide knowledgeable. long-term ownership and

ensure competent manage-ment. By being closely involved with the directors (and indeed appointing some part-time directors), a bank would have the knowledge and confidence to lend large sums for long-term development. This is standard practice in western Europe and Japan, where long-term corporate effi-ciency so exceeds our own. Allen Sykes,

least 25 years.

8 Hans Crescent, SW1

Facts and figures from Hanson

From Mr Martin G. Taylor
Sir, Lex, which did not speak
to us, seems on Saturday to
have got its holly mixed with its ivy. The Hanson Source and Applications of Funds issued with the accounts on Friday shows on the one hand profit of £1,285m and on the other an outflow of £127m for utilised provisions. The first figure is the profit for the year to Sep-tember 30 1990; the second, more than 85 per cent of which relates to ARC Properties and our decision to discontinue this business, is an increase in provisions. This outflow is treated in the only way possible, at the "extraordinary" level; it has nothing to do with the "release of unspecified provisions".

The working capital did not rise by £42m but by £299m.

Most of this relates to a reduction of the relatest to a reduction.

tion in creditors following a one-off accrual in 1989 for con with reserves and expections capable of sustaining a 50 per cent increase in output for at least 25 years.

There is no doubt offshore oil and gas will continue to play a significant role in sustaining the UK economy, and providing jobs for those within it and servicing it.

Dr Harold W.D. Hughes, OBR, director-general, UK Offshore Operators Association Ltd, 8 Hons Cresent. SWI

vice-chairman, Hanson pic, 1 Grosvenor Place SW1

sideration due to Consolidated Goldfield's shareholders which was paid in October 1989. To suggest that it is odd that Peabody's net assets should Peabody's net assets should equal its purchase price is to fail to understand the process. First determine the obligations, then determine whether the figure necessary to bring the value of the 100 years' worth of coal reserves previously held at cost in the balance sheet at the balance figure is fair. This figure (about 45 cents a ton) is indeed fair and conservative. The reserves and conservative. The reserves might have been valued more highly, but we have never believed in the concept of the dangling debt. Martin G. Taylor,

A hard Ecu managed by EMF would not be inflationary

From Mr Paul Richards.
Sir, The UK proposals for a hard Ecu managed by a European Monetary Fund in Stage 2 would not be inflationary, con-trary to Professor Tim Cong-don's claims ("Defence of the hard Ecu". December 11). He confuses a number of points arising from my article ("More questions and answers on the bard Ecu", December 3). First, any increase in hard

Ecu money represented by EMF liabilities would be matched by a reduction in national currency. EMF exercise of the repurchase requirement would enforce this. Second, broad money denom-inated in hard Ecus, which would include any deposits with the commercial banking system, would be controlled by setting the level of hard Ecu interest rates, in the same way as broad money denominated in national currency is controlled by setting national interest rates. There would be no inconsistency between the use of this mechanism of control and the dependence of hard Ecu circulation on mar-

ket choice. Third, in setting hard Ecu interest rates, the national cen-tral bank governors repre sented on the board of the EMF would be constrained to run a tight monetary policy by the requirement not to devalue the hard Ecu against any national currency at ERM realignments.

Fourth, the preservation of the value of the hard Ecu would therefore be a higher priority for the EMF than the promotion of its use in substitotion for national currencies. But success in the first one would be likely to lead to the spread of the second.

Finally, controlling broad money denominated in both Ecus and national currencies would in any event become

increasingly important during the transition to monetary union: the October Rome communique states that the use of the Ecu is to be promoted in Stage 2. Adoption of the hard Ecu as the EC's common currency would enable the EMF to influence monetary conditions in hard Ecus directly, through changes in hard Ecu interest rates. By contrast the basket Ecn, which represents an aver-age, could not influence conditions, and so would do nothing to promote convergence on low inflation. Paul Richards, 10 Lower Thames Street, EC3



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FINANCIAL TIMES

Wednesday December 19 1990



World Bank warns on official debt OECD says

By Michael Prowse in Washington

THE World Bank says there has been a "significant and unsustainable" rise in developing countries' reliance on offi-

cial debt. This has transferred risks from private to official creditors and left governments "cor-respondingly more exposed to policy slippages and adverse external developments," according to the Bank's latest asssessment of the Third

World debt crisis.

The report, published today, also warns that the Gulf crisis is imposing a "severe burden" on many developing countries and threatens to reverse modest progress in resolving long-standing debt problems.

Official creditors are supplying three quarters of debt-re-lated net flows to developing

third in the early 1980s. The share of official debt service in total debt service (payments of interest and amortisation) has risen to 37 per cent from 10 per cent in 1982.

The outstanding stock of long-term offical debt has tripled to \$521bn since 1980. including the use of short-term International Monetary Fund (IMF) credit, official debt now accounts for 46 per cent of developing countries' total debt, up from 32 per cent in

The increased reliance on official creditors reflects private banks' decision to reduce their exposure to the Third World and the impact of official debt reduction initiatives, such as the plan named after Mr Nicholas Brady, the US

schemes have reduced the commercial liabilities of developing countries while increasing the exposure of official creditors.

The bank also notes that dol-lar devaluation since 1985 has increased the stock of official credits proportionately more than private credits. In addition, reductions in

private debt because of debt-equity swaps have more than offset debt forgiveness and concessions for poor counand concessions for poor countries by the Paris Club of official creditors. The switch to official creditors has caused a marked change in the composi-tion of aggregate resource flows to developing countries. In 1989, official grants and net loans accounted for 67 per cent of such flows and foreign direct investment for 35 per

private lending was negligible. This represents a "major shift from the dominance of commercial bank lending in the late 1970s and early 1980s" and a return to the pattern of flows prevailing in the 1960s and early 1970s.

The Bank says experience with previous debt crises suggests there will be no early resumption of private lending. And while official flows and foreign direct investment can be expected to rise, they can play only a limited role in fin-ancing imports and investment in the longer term.

Developing countries will thus have to rely even more heavily on tough adjustment policies and on mobilising domestic savings. Details, Page 4; Editorial Com-ment, Page 14

Japanese growth will dip to 4.1% next year

ECONOMIC growth in Japan will slow next year from a

Development.

However, in its annual review of Japan, published today, the organisation is more positive than some recent studies by private sector economists in Tokyo which have forecast a sharper decline in companion of the continuous control of the continuous control of the control of th

more open economy by further deregulation, particularly in agriculture and in the land

than some analysts about the impact of this year's stock market plunge on the Japanese economy. The fall to some extent "helped curtail excess domestic demand which had

An increase in oil prices caused by the Gulf crisis has

ing from very high levels achieved in 1989, with the rate of increase likely to fall from 10.6 per cent this year to 4.6 per cent in 1991. Companies

with other countries, the OECD expects the speed of the the decline in the external sur-

next year could be \$38bn. against a likely \$43bn for 1990 and \$57.2bn in 1989. Boosted by a halt in the rise of the yen, exports will grow sharply.

The increase in oil prices which has followed following the Gulf crisis should is expected to have less effect than the

OECD Economic Surveys: Japan. OECD, 2, rue Andre-Pascal, 75775 Paris, France.

oil shocks of the 1970s.

Continued from Page 1
Mr Rafik Nishanov, one of his
closest advisers on the issue,
said later that "each Soviet citizen must say whether he is in
favour or soviet or miss of izen must say whether he is in favour, or against, a union of federal states". Details of the treaty would be worked out by a commission of all the republics willing to participate.

He insisted that if a republic voted to leave it would have to follow the lengthy secession process laid down in Soviet law this year. That provides for a transition period of up to

for a transition period of up to five years, and talks on com-pensation both for the Soviet state, and individuals wishing

Brazil will 'partially lift' moratorium

By Christina Lamb in Rio de Janeiro and Stephen Fidler in London

18-month debt moratorium, Ms Zelia Cardoso de Mello, finance minister, announced on Mon-day night.

The move, an apparent change of strategy, reflects Brazil's desperation to end its isolation from the international financial community, which has resulted in slashed credit lines for trade and interbank financing and delays in obtaining loans from the World

For the first three months of next year, the Brazilian government will pay 30 per cent of the interest on the \$63bn owed to commercial banks. Ms Cardoso described the \$489m in payments to be made in the first quarter as "a goodwill gesture to show that we are interested in negotiating".

The decision to resume par-

tial interest payments was conveyed to the advisory committee of creditor banks in New York late on Monday by Mr Jorio Dauster, Brazil's chief debt negotiator. But there was no change in the basic pro-posal to convert debt into long-term bonds, which the committee has already discounted as "a non-starter". Bankers responded nega-

Mr William Rhodes, Citi-COPP's senior executive and



Jorio Dauster: conveyed age to creditor banks chairman of the advisory committee, said: "While we welcome the intention to resume partial payments, banks are disappointed that the govern-ment of Brazil still refuses to deal with the interest arrears. A wide gap remains between the bank advisory committee

and the government Brazil's interest arrears to commercial banks total \$8.3bn. Banks want some reduction in



Zelia Cardoso: described payments as goodwill turn this before talks on a broad debt restructuring advance. Bankers said that, according to the proposal, only small pay-ments would be made in Janu-

ary and February, leaving 85 per cent of the \$489m to be paid by the end of March. They said Brazil's controversial position - that it would not deal with arrears ahead of a broad agreement and that it would not make payments in 1990 - was unaltered by the

proposal.
Mr Marcus Caramuro,
spokesman for the Brazilian spokesman for the Brazilian Economy Ministry, said yesterday: "This is not a change in tactics but simply an advance in negotiations to which we hope the banks will respond."

He likened the proposal to the situation in Argenting, which is making partial inter-

which is making partial interest payments in advance of a final agreement and is receiv-ing finances from the Interna-tional Monetary Fund and

Paris Club.
Brazil signed a letter of intent with the IMF in September for a \$2bn standby facility but this was never approved by the board because of lack of progress on the debt negotia-tions. It is now regarded as a "dead letter" because of the country's failure to meet targets. But Brazil is anxious for a new agreement to be reached rapidly to ease its passage through the current economic

However, the Brazilian government's negotiating position has been hampered by a Senate resolution, passed on Monday night, which prevents any pay-ment being made on arrears without the legislature's approval, a move ironically ini-tiated by the government to secure national consensus.

Nato warns Soviets on conventional pact

By Robert Mauthner, Diplomatic Correspondent, in Brussels

NATO ministers yesterday WS-Soviet negotiations on the warned the Soviet Union that reduction of short-range the submission by Moscow of nuclear weapons in Europe.

We was now the development by would be serious."

We was now the discrepancies exist, it would be serious."

Mr Baker said that the US incorrect data on its military forces and equipment in Europe could delay ratification of last month's agreement on conventional forces cuts in

We will seek full implementation by all parties of the CFE treaty and, in particular, the timely resolution by the Soviet Union of serious problems relating to data and treaty interpretation," a communiqué issued after a two-day Nato Council meeting here said. This was "an essential condi-

tion" for early ratification of The Nato ministers had agreed that new global security risks facing the Alliance, such as the Gulf crisis, might require joint action even if

such threats came from outside the Nato area. They delayed an expected This was in spite of an earlier undertaking that such talks would open shortly after the conclusion of the conventional forces agreement, signed in

Paris last month.
Mr Manfred Wörner, the Nato secretary-general, said it would take another six months to work out such a mandate and, probably, up to another year before negotiations between the US and the Soviet Union would start. On the controversial issue of

an "out of area" role for Nato, France strongly disagreed with such an extension of its activities, but the final communiqué issued after a two-day meeting of the Nato Council specifically referred to such a possibility.
The proliferation of weapons ss destruction had implications for the allies' security, the communiqué said. This appeared to be a direct refer-

Ministers said they would consult closely onproblems which posed "a threat to our common interests".

On Soviet military strength, US officials have complained that the Soviet Union had declared some 20,000 items of military equipment fewer than were supposed to be covered

by the CFE treaty.

Mr James Baker, the US secretary of state, said yesterday that the US was particularly concerned about the non-declaration of infantry units assigned to the Soviet Navy. Moscow does not consider that these fall under the treaty because it does not cover naval

The Soviet Union has promised to look into these alleged discrepancies and report back

complaints did not directly concern military equipment withdrawn by the Soviet Union from Europe to east of the

to the US, Mr Baker said.
"I think the Soviets them-selves acknowledge that, if

Urals instead of being destroyed. Though this was a political problem, it did not legally break the CFE treaty, he said.

France and the US disagreed over how far Nato should develop its diplomatic dialogue with the Soviet Union and other states of central and eastern Europe. During a sharp exchange yesterday, Mr Roland Dumas, French foreign minister, told Mr Baker, it was up to individual member states to develop such a relationship.

Mr Baker said that the need for Nato to direct its attention "a wider arc" of security challenges was discussed in the context of Nato's current

Soviet Union left without | EC postpones meeting a proper budget for 1991

Continued from Page 1 Russia, the country's largest republic is unhappy both with the amounts sought by the centre and the taxation to levy the money. Other republics are following the example set by Rus-

Estonia, the smallest Soviet republic, says, for example, that it will give the centre no more than Rbs100m, compared to the Rbs600m which is expected of it. Clearly the republics' ability

to control taxation revenue will be a key element in their battle with Moscow. The major source of taxation comes from Soviet enterprises, which pay a turnover tax and which will also be charged a unified rate of 45 per cent of their profits from January. In the past, central minis-

tries simply helped themselves to varying amounts of enter-prises profits, but the new corporate tax provides for 22 per

WORLDWIDE WEATHER

cent of enterprise profits to go with another 23 per cent des-tined for republican budgets. A third source of taxation is income tax, but most of this goes to local authorities, with the rest to central and republi-

can governments.
A Russian government source said that Russia wanted both a lower rate of taxation for its enterprises plus reduced central government spending. While a spokesman said the Soviet government could still control tax revenue because enterprises paid their taxes into centrally controlled banks, Russia has already declared sovereignty over banks on its

territory.
At the other end of the scale, Estonia is setting up a parallel banking system of its own, which means that it now has two central banks, one loyal to Moscow and the other favouring Estonian independence.

with Iraqi foreign minister

Continued from Page 1 Baghdad expressed disappoint-ment that the BC had not shown "a more independent policy, away from US pressure, vis-à-vis the Middle East's vari-

ous issues."
A Foreign Ministry official said: "It is in the interests of a unified Europe to deal with an independent Arab decision rather than giving in to American hegemony over the countries of the region." The conciliatory tone of

Iraq's response appeared to be aimed at keeping Iraq's lines open to the EC in the hope that some sort of EC initiative might arise as an alternative to the US approach.

Yesterday, Turkish television quoted Iraqi president Saddam Hussein as ruling out peace talks with the US if Washington's aim was simply to reiterate UN resolutions rejected by Baghdad.
"Any Iraqi concession on Kuwait is out of the question before the Palestiman problem is solved," Mr Saddam said in his Turkish television interview, which was conducted on

Friday.
"We do not go to the US to get directives from them," he said. "If Bush is to repeat the UN resolutions to us, then there's no point in our going

Iraq, meanwhile, told a senior Soviet envoy that all Soviet technicians were free to leave the country even if their contracts had not run out. Baghdad radio quoted Mr Hussein Kamel, the minister of industry and military industr-ialisation who is also acting oil minister, as telling Mr Vladi-mir Mordvinov, the Soviet For-eign Trade Ministry's first undersecretary: "Iraq allows Soviet experts working in the country to leave as they wish irrespective of the date of termination of their contracts."

Temperatures at midday yesterday: C-Cloudy: Or-Orizale: F-Fatr Fg-Fog H-Hall R-Rain 3-Surray: 81-Sleet So-Surpe T-Thooder

By Stefan Wagstyl in Tokyo

likely annual rate of 6.3 per cent in 1990 to 4.1 per cent, according to the Organisation for Economic Co-operation and Development.

have forecast a sharper decline in economic growth. Continuing growth in spending by Japanese consumers will generate increases in output and in employment, the OECD says.

On the prescriptive side, the report urges that Japan should continue its efforts to create a more open economy by further

The OECD is less concerned been partly stimulated by the low cost of equity financing". However, the OECD shares

the Japanese monetary authorities' concern about inflation. Labour shortages are pushing up costs, says the report, boosting the annual rate of increase in consumer prices from 2.3 per cent in 1989 to a likely 3 per cent this year and 3.3 per cent in 1991. Rapid growth in the money supply, accelerated by deregulation, strong demand, high capacity use and tight labour markets have "created an environment prone to future inflation".

"Care should be taken to sig-nal to the private sector by whatever means necessary that the oil price increase will not be allowed to trigger a wage-price spiral," says the OECD. Business investment is slow-

are expected to switch from boosting capacity to invest-ments in product development. The OECD urges Japan to take advantage of economic slowdowns in the next 10 years to boost public invest-

The report approves of the Japanese government's plan to make a priority of investments in improving living standards.
As for economic relations

plus to slow sharply despite the rise in oil prices. The current account surplus

Fresh attacks on Gorbachev

Mr Gorbachev intends to make secession an extraordi-narily difficult for any republic but he is taking a big gam-ble in calling a referendum, with republics like Georgia and Lithuania dominated by secessionist sentiment. In Estonia and Latvia, with large Russian minorities, a clear result might be in doubt.

THE LEX COLUMN A clearer view for the Fed

Yesterday's confirmation of a mild downtrend in US inflation will have come at an oppor-tune time for the last meeting time time for the last meeting this year of the FOMC to set US monetary policy. The November data on rising unemployment and falling industrial output already presented the case for further easing. If the Fed can now convince itself that inflation is no longer a pressing concern, the longer a pressing concern, the way should be clear to the first cut in the US discount rate since the summer of 1986. One thing which might cast doubt on this would be a further sharp fall in the dollar. But it is a sign of how times have changed that yesterday's other big US statistic, a sharp jump in the October trade deficit to \$11.6bn, should have left the foreign exchange markets unmoved. Just three years ago

a record \$17.6bn figure knocked more than 3 per cent off the dollar by the turn of the year. This time, the markets appear to see the figure as an aberration, representing goods ordered before the scale of the

recession was apparent.
Even if the dollar declines
modestly from here, it seems
unlikely that the Fed will worry much about inflationary implications. Its first priority now appears to be not sound money but the health of the banking system.

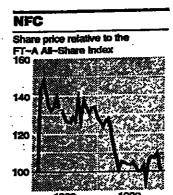
As for the US government, a weak dollar doubtless has positive attractions. The UK may be obliged by ERM member.

be obliged by ERM member-ship to take recession on the chin. But for the US a spot of depreciation offers the opportunity, if not to export recession, at least to import the growth of

The picture of deepening UK recession is still complicated by the apparent ability of some companies in recession-prone sectors like transport to defy the odds. Hence the 6 per cent jump in NFC's share price yesterday in response to news of a healthy rise in profits for the

But if the company's gloomy

trading statement, particularly regarding the US, had been given more weight than the headline annual results, the shares might have gone lower. At odds with the 11 per cent rise in earnings per share and the persuasive rise in the divi-dend was an abundance of caution in the small print. This suggests that although NFC has to date succeeded in avoiding the economic downturn much better than rivals across



tors, its toughest test is to

8The results have been held back by lower profits from the transport division, but also by an accelerated charge against computer software costs and a doubling of redundancy costs to £km. The travel agency busi-ness continued to lose money, if at a reduced rate. The increased contribution from property is impressive, but the shortage of commercial tenants means this area will struggle means this area will struggle this year, the company will do well to make up in its other divisions what could be a shortfall of £10m-£15m.

On the other hand, NFC can point to conservative account-

ing policies and reduced overall gearing of 24 per cent despite increased acquisition activity and the buying in of shares in related companies. It also has exposure to the trendy waste management business, and lacks property-related bor-rowings. But at best profits this year should be unchanged, which is why the shares are on a prospective p/e of only 9 and a historic yield of over 6 per

Christies Int'l

Christies' shares stormed up in 1989 and the first half of 1990 on the strength of the art mar-ket and Mr Michael Ashcroft's bold but maladroit stake building. They have since stormed down again, thanks to the Gulf crisis and the deepening recession in the art market. Yesterday's poor sales figures for the autumn auction season suggest the great bull run in the shares in the late 1980s was a mistake

Until about 1986, the Christies share price performance seems to have been a very British story: respectable but not exciting. Perhaps it should have stayed that way. The the transport and property secSotheby's, the very strong cash flow and the conservatively-valued real estate in St James's — have never been in doubt. Given what happened to Sotheby's in the early 1880s, there has always been the possibility of a takeover bid crystallizing one day. But it needed more than that to justify the hugalift-off the shares enjoyed between 1983 and midsummer 1990.

athribes

Teles debt

A boom in buying by a new-international class of collec-tors, mainly interested only in post-1875 art, was surely not the kind of phenomenon which could have lasted for long. Old Master and jewellery sales are still doing well, which is a sign that Christies has a resilient. hard-core business which can survive a mini-crisis like its decision to shed 146 staff. But at 7 per cent, the running yield on the shares may not yet reflect the sluggish trading which could be ahead in 1991.

Water companies

Now that all the water com-panies have delivered their interim results, it is pertinent to ask whether the market's attitude to the sector has been too complacent. There were no nasties in the assorted figures, but the dividend increases may have helped to move the secnave haped to investigably high level. The package has outperformed the FT-Actuaries All-Share index by 50 per cent-since flotation and a further 4 have cent since Thames charted per cent since Thames started the reporting round in late

The trouble is that the dividend rises have owed more to jockeying by the rival compa-nies than to any fundamental performance. Anglian defied the trend without its share price suffering, but most other

companies were keenly fighting a possibly ill-advised dividend war.

What should concern investors is the possibility that the short-term benefits of higher than expected dividend increases will be undermined by the regulator's determina-tion to distribute any undue rewards to consumers. The full review of the pricing formula due in 1995 might well be preceded by ad hoc interventions by the regulator to enforce clawbacks in profits. Investors need to ask themselves what level of returns the regulator will be prepared to allow. Given that dividend payouts ket as a whole, it seems plausible to argue that the water sec-tor should be preparing to

exercise more restraint.

Cirio Andrea

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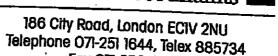
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O THE FINANCIAL TIMES LIMITED 1990

Wednesday December 19 1990

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Great Atlantic in isosceles debt talks

Great Atlantic & Pacific Tea Company, the large US food retailer, yesterday indicated it may participate in the refinancing of isosceles, the UK company which took over the Gateway supermarket chain in a \$250n-plus leveraged buy-out last year. Talks over the refinancing were continuing last night in London. Mean-while, Great Atlantic announced virtually flat profits in the third quarter. Nikki Tait reports on the results. Page 20

Battling to treat US ulcers



Astra, Sweden's leading pharmaceutical company, headed by Hakan Mogren (left), believes it is on the verge of an important breakthrough in the US. It is expecting the final go-shead from the US Food and Drug sing use of its anti pep-tic ulcer drug, Losec, for the initial treatment of duodenal and gastric ulcers. This will intensify

its competitive battle with the British company Glaxo and its Zantac ulcer drug in a lucrative

Triplex Lloyd falls 18.9%

Interim profits at Triplex Lloyd, the Midlands engineering and building products group, declined by 18.9 per cent before tax, following a big fall in property gains and the sale of a steel casting business. The disposal was more than offset by capital spending in the power division and acquisitions in Canada and the

Pyrrhic victory in iodine battle



Sogulmich, the leading Chilean producer of iodine, can claim only a pyrrhic victory after a year-long international price war. Its battle to grab market share and keep out new competitors has succeeded but in the process the com-pany has been forced to close down two long-established mining towns in Chile and to sack 1,100 workers. At the heart of the com-pany's drive is a \$238m five-year equipment modernisation plan designed to replace much of the group's outdated plant and equipment (above). Page 26

Happy days in Hellar

it has been a fumultuous year for the Athens Stock Exchange. The general index surged by more than 300 per cent and then lost more than half its gains. But the year is ending on a note of subdued optimism amid the conservative government's decision to launch a threeyear economic stabilisation programme. Kerin Hope opens a series on the most significant markets of 1990 with a review of the year on the Athens Stock Exchange. Back Page

CH Industrials shares fall 30%



Recessionary pressures are taking their toll of CH industrials, the diver-sified holding group. The group saw its share price fall by 30 per cent

after it announced a col-lapse in profits from £7.31m (\$14m) to £334,000, for the six months to September 29. There is no doubt that the trading outlook for for the second six months will remain difficult," warned Tim Hearley, executive chairman. Andrew Bolger reports. Page 22

Market Statistics

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London tradit options
Managed fund service
Money markets
World commodity prices
World stock sixt Indices

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20 Gold Greenlees 2 18 Hongkong Bank Canada 20 20 23 IMI 22 Lloyds Bank 23 Lloyds Chemists 22 MTM 23 Midland Radio 24 Moorgate Inv 29 Reuter 18 Triplex Lloyd

Chief price changes yesterday | PRAMES | PARTIES | PARTI

Continental forced to call EGM over Pirelli deal

CONTINENTAL, the German tyre company, has been forced to call an extraordinary general meeting for early next year at the request of a group of small shareholders to try to clarify the situation arising from the disputed

merger proposal presented by Pirelli of Italy.

The German company's move was prompted by the call from Mr Albarto Vicari, a Wiesbadenbased shareholder, for an EGM to be held so that shareholders could have a chance to make up their own minds whether Conti-nental should remain indepen-dent or not. The meeting will take place by mid-March at the

Continental, headed by chief executive Horst Urban, has rejected the financial terms of the Pirelli proposal, though it has said it remains willing to talk. Pirelli, which said it had nothing to do with Mr Vicari's action, has made clear that the figures in the document accompanying its pro-posal were meant more as a basis for discussion than as definite

Mr Vicari, a German citizen who represents 5 per cent of the Continental shares held by him-self and others, announced last week that he wanted an EGM. He said two alternative motions should be proposed: either that the company remain independent

and thus strengthen its statutes

Pirelli proposal, as it was under-stood to date — the Italian com-pany has not spelt out the details of its merger concept publicly — and suggested instead a merger which would not mean Continen-

Actionwear line of outdoors

supplier to the 1992 Winter Olym-pics in Albertville.

VW pays Pta20bn for remaining SEAT stake

By Kevin Done in London

VOLKSWAGEN of Germany, the leading European car producer, yesterday completed the acquisi-tion of a 99.98 per cent stake in SEAT, the formerly state-owned

VW bought a 75 per cent stake in SEAT from Instituto Nacional de Industria (INI), the Spanish state holding company, in two stages in 1986 for Pta60bn (\$631m).

After injecting \$207m in fresh equity capital at the end of 1988, Volkswagen increased its stake to 76 per cent. Yesterday it acquired 19.98m shares at Ptal,000 per share or a total of Pta19.98bn bringing its stake to

99.98 per cent. The remaining shares are owned by private shareholders. The total purchase price for SEAT amounts to almost

VW's first contract with SEAT was in 1982 in the form of a limited seven-year production licencing agreement for the small volume assembly of certain VW models — notably the Polo — at SEAT's Pamplona plant.

SEAT has since become an integral part of the VW group. It has been returned to profitabil.

has been returned to profitability, and it is now in the midst of an ambitious Pta670bn 10-year

accordingly; or that the way should be opened for a merger and that the 5 per cent voting restriction be removed.

Mr Vicari said he was firmly opposed to the terms of the tal increasing its debt.
Pirelli has proposed that Conti-

Pirelli has proposed that Continental buy its tyre assets as part of a merger. Mr Vicari said the best way would be for Pirelli to exchange its tyre business for Continental shares. In fact, Pirelli decided against this as it could lead to legal delays.

O Pirelli Prodotti Diversificati, a diversified holding company within the Pirelli group, said yesterday it had acquired a controlling stake in the K-Way group, a French sportswear manufacturer,

French sportswear manufacturer, through STL Superga. Financial details of the acquisition were not disclosed, AP-DJ reports.

The K-Way group, best known for its lines of winter and outdoors clothing, also includes Eider, maker of the High-Tech Actionwaar line of autdoors.

K-Way will also be an official

auction house, yesterday auction house, yesterday announced its first big cuts in staffing since the dark days of recession in 1974. This came hard on the heels of similar news last week from its arch rival, Sotheby's. Christies said it was cutting 146 jobs worldwide, including 60 in the UK, to reduce staff costs by cheek few (27.7%) on 10 per

by about £4m (\$7.7m) or 10 per cent. The jobs range from secu-rity staff and clerks to valuers. David Tyler, finance director, yesterday stressed Christies was not abandoning any areas of expertise though it would seek to

hristies International, the

merge departments where it could "But where we, say, had three experts in a particular area, now we will have two," he said.
The cost-cutting does not stop
at the lower ranks. Senior mangeers and main board directors are also accepting a base salary freeze. Together with much lower profits to share between them, the freeze could substantially reduce the emoluments of the board which last year awarded £190,000 to the highest-paid direc-

But a cut of some £4m is not going to make much of a dent on costs of sales which during the first half rose to more than £69m (£57m), as Christies geared up for

(\$648m), a full of 50 per cent on the record \$675m in the same months of 1989.

concentrated in a few sectors. Impressionist and Modern art produce 40 per cent of Christie's turnover, and a higher proportion of its profits. In the autumn of 1989, this sector brought in \$309m in sales;

Picture of profit: John Constable's Flatford Lock and Mill hits a price of £2.4m in the days of the art market boom

Gavel falls on Christies jobs

Clare Pearson reports on cost-cutting at the international auction house

profits. In the antium of 1989, this sector brought in £309m in sales; in the last three months, £85m.

The Japanese bought less this autumn and American buyers scarcely featured at the leading sales. Despite Christie's advice, many sellers insisted on high reserve prices and there was a sharp rise in unsold lots. In the main London sale of Impressionist and Modern art in early December, which totalled £10.5m, only 24 of the 63 lots were sold. The corresponding saction of 1989 brought in \$76.5m.

Contemporary art did almost as hadly, and there were disastrons anctions of Scandinsvian and Belgian paintings. Demand held up quite well is Old Master pictures, furniture, and silver. Christie's has other consolations: turnover was still at the level of 1987-88, and results from rival Sotheby's will be equally depressing later this week. ... Antony Thorncroft

further rapid growth in the market. That compared with turn-over of £105.19m (£90.11m). At the interim stage, these

costs can be divided as follows: £45.88m for auction and print, comprising principally salaries, catalogues and advertising, and 523.32m (520.77m) for items such as administrative staff, rents and

Mr Tyler says that because so many of these costs are variable, there is a lot of scope for further

reductions. Insurance costs, for instance, vary with the estimated value of sales, catalogues can be produced on a less lavish scale,

costs he envisaged, but indicated it was about 10 per cent. Analysts expect that cut in costs to be enough to keep the company in profit throughout 1991, on the basis that there will

it is at least an uneasy situation for shareholders contemplating a possible further deterioration in the art market in 1991. and so on.

He declined to put a precise figure on the total reduction in Perhaps none will be more nervous than ADT. The electronic security and auction group owns

more than 20 per cent of the shares and was still increasing its stake this year before the shares hit a high above 400p. Yes-terday the shares closed 8p down at 159p. Lex, Page 16

However, forecast pre-tax profits

of £10m to £20m will seem light

years away from 1989's £66.94m (£42.48m).

Unlike Sotheby's, which has

announced the closure of several smaller offices, Christies has no such retrenchment plans. It is

financially stronger, with no debt in its balance sheet. That should also mean that it will not be

driven to much greater staff-cut-

ting measures - a move which would risk undermining the rep-

utation that makes up so much of

its value.

In theory, then, Christies can batten down the hatches and

wait until the next stage of the

owever, since the com-

pany's profits vary imme-diately with sales levels,

Leisure investments of up to £160m led to Polly collapse

By Richard Waters in London

TENS OF millions of pounds of Polly Peck International's money was paid out during the summer as up-front payments for pro-posed leisure developments on which work has not yet started,

it has emerged.

The greenfield developments, in northern Cyprus and Turkey, form a substantial part of recent Polly Peck property investments which administrators put at over £100m, and which could be as high as £160m. The investments led directly to the group's cash crisis and eventual collapse in the ensuing weeks.
Polly Peck invested the money

some time between the beginning of July and the end of September, by which time the company's liquidity position was under con-siderable strain. The investments were made

later than the suspicious pay-ments which formed the basis of the 14 theft charges brought against Mr Asil Nadir, Polly Peck's chairman and chief execu-

tive, at the weekend.

During the three summer months, the group's cash balances in northern Cyprus were run down by £160m. Most, if not all, of this was used to fund the leisure developments comprising proposed hotels, a holiday village, and other developments. lage, and other developments.
On October 3, Polly Peck announced it was halting payments to its bankers due to liquidity problems. Three weeks later it went into administration—after Mr Nadir, failed to come which the STER in cash which

up with the £70m in cash which bankers had demanded to keep the group afloat.
The greenfield investments have come to light only in recent

days, following the break-through made by one of the administrators - Mr Richard Stone of Coopers & Lybrand - in gaining access to Polly Peck's subsidiaries in northern Cyprus. An injunction on the island had earlier barred access to the com-panies, making it impossible to

trace around £200m of Polly Peck cash in the area. Mr Stone is understood to have passed information about the property investments to Mr Christopher Morris, another of the administrators, who was appointed by the court to investigate the possibility of claims against Mr Nadir and his fellow

directors, as well as Polly Peck's auditors and advisers. Mr Mocris is believed to have been investigating whether any of Mr Nadir's actions may have contributed to the company going into administration.

Meanwhile, relations between the administrators and the north-

ern Cypriot government appeared yesterday to be thawing. Mr Stone said he had received contact from a high level in the island's government indicating a statement of the statem willingness to co-operate with the administration - in marked con-trast to earlier warnings from

Murray Pezim is barred from trading on Vancouver exchange

By Bernard Simon in Toronto

MR MURRAY PEZIM, the colourful Canadian mining promoter whose name is virtually synonymous with the Vancouver stock exchange, has been barred from trading on the VSE for a

sure requirements and mislead the VSE on a number of occa-

Prime and Calpine were the most heavily traded stocks on the VSE in 1989 thanks to their involvement in the discovery of gold on the Eskay Creek property in northern British Columbia.

in the two companies during the drilling programme.

The commission said: "it is

damaging to public confidence and prejudicial to the public interest when such significant market participants contravene basic and fundamental rules."

The three were also ordered to pay two-thirds of the costs incurred by the commission and the superintendent of brokers in probing the case. The one-year trading ban takes effect on Janu-

ary 1. Mr Pezim, 69, is credited with spearheading the financing and development of the rich Hemlo gold field in north-west Ontario in the early 1980s.



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The charges against Mr Pezim and his two colleagues, Mr John Ivany and Mr Lawrence Page, The British Columbia Securi-ties Commission imposed the ban include allegations that Prime and Calpine failed to make timely on Mr Pezim and two other mining executives for allowing two disclosure of drilling results at Eskay Creek, and that the three men re-priced their share options companies under their control, Prime Resources and Calpine Resources, to contravene disclo-

INTERNATIONAL COMPANIES AND FINANCE

pre-tax profits 8% to £97.7m

By David Owen

LOWER interest costs and a reduced contribution to its employee profit-sharing scheme enabled NFC, the for-mer National Freight Consortium, to report an 8 per cent improvement to £97.7m (\$185.6m) in annual pre-tax

ofits. This was marginally higher than the directors' "best view" projection of £97m and was achieved in spite of a change achieved in space of a change in depreciation policy and dou-bled redundancy costs. Turnover for the 53 weeks to October 6 was ahead 9 per cent

at £1.63bn, compared with £1.49hn in the year to September 30 1989. Taxable profits in the year-earlier period were

Operating profits were down 5 per cent at £108.7m, with the transport division, which contributed only £27.3m (£37.2m), the principal source of weak-

Logistics, property and home services each contributed slightly more than a year-earlier at £31.5m, £26.8m and £25.5m respectively.

Earnings per share advanced 11 per cent to 13.6p (12.2p). A final dividend of 1.6p was recommended, making a total of 5.65p - up 14 per

Yorkshire TV may make bid

YORKSHIRE Television may bid for its neighbour, Tyne Tees Television, in next year's competitive tenders for commercial television licences, if government rules are con-firmed, writes Raymond

The British government has made clear that the nine largest ITV companies, including Yorkshire, will not be able to control each other. Type Tees has been placed in the group of smaller companies that can be controlled, and the governnt is likely to allow bids from neighbouring companies. Another option would be for Yorkshire and Tyne Tees to

NFC boosts | Echo Bay writes off \$39m as gold producers struggle

A GROWING number of North American gold producers are running into trouble on mining projects which are unable to pay their way at prevailing builion prices.

Echo Bay Mines of Edmonton said yesterday that it is writing off US\$39.7m of its investment in the Robinson gold mine in Nevada and other properties in the Alta Bay joint venture, in which it has a 40 per cent equity interest.

Echo Bay has exchanged its

interest in the Robinson lease for a royalty on future production at the mine plus US\$2m in cash from its joint venture parmer, Alta Gold of Salt Lake City. The Robinson mine, which

produced 78,800 ounces of gold last year, has been running at a loss for nearly two years. Its cash production costs were US\$330/oz in the first nine months of this year, plus US\$39/oz in royalties paid to the US mining group Kenne-cott, which holds a lease on the property. Output at the entire Alta Bay project, which includes four other smaller properties, has fallen well short of production targets.

The Robinson mine is one of many new North American producers whose success was predicated between 1986 and 1986 on a prevailing bullion price above \$400/oz and expec-tations among gold mining optimists that it would move even higher. With the price now hovering at about \$380, several companies are finding that both their management and financial resources have

been over-extended. The owners of the new Colomac mine in the Northwest Territories wrote off US\$149.5m of their investment last month as a result of lower-than-expected ore grades and bullion prices, as well as the strong Canadian dollar. Earlier this

week, North American Metals of Vancouver announced a C\$24m writedown of its halfshare in the Golden Bear mine in north-west British Columbia, which began operations last January.

Corona of Toronto earlier

this year wrote off the entire C\$161m value of its Nickel Plate gold mine in British

lyst at First Marathon Securi-ties in Toronto, said that "a number of these operations assigned ore reserves at higher gold prices. With lower prices, mining engineers are finding out that the gold is not there in economically mineable form".

As a result, the share prices

of Canadian gold producers have fallen sharply in recent months. Echo Bay, for example, was trading yesterday at C\$9 on the Toronto stock exchange, down from a 1990 peak of C\$24.88.

ABB to buy German energy unit

ASEA Brown Boveri (ABB), the Swedish-Swiss engineering group, will today sign an agree-ment to buy Energiebau Dres-den, an east German energy concern which employs 2,100

ABB is one of the companies which showed early interest in investing in east Germany, singling out energy production, electricity supply, industrial automation, environmental technology, and transport as the sectors in which it was

Details of the Energiebau Dresden transaction will be announced at a joint press con-ference in east Berlin with the Treuhand, the agency in charge of privatising east German industry. The deal will be signed by ABB's large west German unit, based in Man-

ABB said earlier this year it hoped eventually to achieve a turnover of some DM2bn (\$1.3m)in the five new states formerly known as East Ger-many. It said it was planning to form joint operations with about 20 east German compa-nies, including Bergmann-Bor-sig (power stations) and the Cottbus automation plant man-

ABB's proposed investment follows last week's confirma-tion that Opel, the German car subsidiary of General Motors of the US, was to invest DM1bn in an east German venture. Volkswagen has begun a DM5bn programme, while Mer-cedes-Benz plans a DM1bn

Lloyds Bank to sell further SMH stake

By Katharine Campbell in Frankfurt

LLOYDS Bank of the UK is selling a further stake in Schröder Münchmeyer Hengst, its German investment banking subsidiary, cementing the Frankfurt institution's credentials as a private German bank

by creating 19 new partners. Rescued from near-collapse by Lloyds in the early 1980s, SMH has successfully regener-ated its business, particularly

on the merchant banking side. Two years ago, Lloyds sold just under 5 per cent of its 100 per cent holding to five liable partners to allow the bank to culti-vate a private and specifically

German banking ethos.

Mr Eberhard Weiershäuser,
co-chairman of SMH, said the creation of the new partnerships, which together repre-sent "under 5 per cent" of the

bank's equity, was unique in the German financial world. The partners, the younges whom is 37, and who, unlike the original five, do not bear personal liability, may in time be able to increase their share. New partners may also be added, after three years with the bank, but Lloyds has said it wishes to retain at least 75

per cent of SMH.

Agnelli parent net up 39% at

NEWS IN BRIEF

halfway ISTITUTO Finanziarlo Industriale (IFI), the financial holding company of the Agnelli family, reported a 39 per cent rise in first-half 1990-91 net profits to L205bn (\$183m), against L147bn in the corre-

sponding period last year, writes Haig Simonian. Dividends from associated companies amounted to a net L168bn, while capital gains from the sale of activities and other interests were almost 180bn gross of tax. The book value of IFT's total investment portfolio in the period rose by a net L186bn to L1,078bn. Given the margin of over L2,500bn between book and market values, the current market value of IFFs quoted holdings now stands at well over L3,500bn.

■Trading in shares of Amer, the diversified Finnish group, was suspended temporarily ahead of an announcement by Mr Heikki O. Salonen, chairman and chief executive, that he would resign the post from the end of February because of

alth, Reuter reports. The group said he would retain an advisory capacity and look after the group's international relations. Raimo Taivalkoski will take over as chairman.

■ Aussedat Rey, the French paper company owned by international Paper of the US, said it would spend about FFr2bn (\$400m) to double the capacity of its paper pulp fac-tory in Saillat, central France, Reuter reports. The new unit will begin production in the second quarter of 1993.

Danisco, the Danish food and beverages, food ingredients and packaging group, reported profits before extraordinary items up by 15 per cent to DKr53im (\$92.7m) in the half year ended October, writes Hilary Barnes.

After extraordinary income of DKriSim, mainly from the sale of the L Krüger water purification company, pre-tax profits were ahead 82 per cent

that can make a decisive difference.

Astra drug on course to inject dose of optimism

Robert Taylor examines how the Swedish company is making impressive inroads into world markets

STRA, Sweden's big-gest pharmaceutical La company and one of the few bright lights on the gloomy Stockholm bourse this winter, is looking forward to further market breakthroughs in the sale of its successful anti-peptic ulcer drug, Losec, before the end of the year.

A decision is imminent from the US Food and Drug Admin-istration to give the final go-shead for its use in the ini-tial treatment of duodenal as well as gastric ulcers in the all-important US market. This follows a recommendation for approval last May by an advi-sory committee of the FDA. The drug has been used for the treatment of acute ulcers in the US since September 1989. The further breakthrough

for Astra in the US seems likely to intensify its already fierce competitive battle with the British company Glaxo and its Zantac ulcer drug in a lucrative market. Yesterday, Astra's free B shares rose SKr6 to SKr494 while Glaxo shares

fell 11p to £8.54. This week, at a seminar for analysts in Malmo organised by Astra, it was suggested that Zantac's world sales were levelling off though it still remained far ahead of Losec in the markets where the drugs compete. Attacks on Losec's efficacy may continue sporadically, but Astra is increasingly

confident it has a winner.

Next week, the company also confidently expects to win approval from the authorities in Japan for the marketing and sale of Losec to begin next spring. Astra is already pre-pared for its launch in that market. At the end of 1988, it acquired Hoel Pharmaceuticals in Japan through its partlyowned subsidiary Fujisawa-Astra as a means of increasing its marketing capacity ready for the launch of new drug prod-ucts in the Japanese market. But it is the impending US

decision, seen now by Astra as a mere formality, that could help bring important changes in the company.

Mr Hakan Mogren, president, said the company was in the midst of "intensive negotia-

tions" with Merck in the US on

For business in the east of Germany, WestLB has addresses



Hakan Mogren: 'our ambitions are long-term'

what their future relationship should be after the go-shead is given to the wider application of Losec in the US.

Under the terms of a 1982

agreement between the two companies, Merck undertook to collaborate with Astra's Swed-ish research centres and help to register and market Astra products in the US. According to the first stage

of the agreement, Astra receives licensing income on sales but the deal also provides for forms of co-operation dur-ing the next stage which will be determined by the sales volume attained.

"The growth of Losec has been very fast, more than we expected a year ago," Mr Mogren admitted

Since its launch in February 1988 in Sweden, Losec has made impressive inroads into world markets. It has secured regulatory approval in 48 coun-tries and there have been more than 7m patient treatments with the drug. Growth has been particularly strong in Sweden, where it holds about 33 per cent of market share and in France, where penetra-tion is now nearly a quarter. Currently, Losec enjoys a 7 per cent share in the market

and sales are increasing at a rate of 14 per cent a year, twice the rate of the overall gastroin-testinal market and almost three times that of the total pharmaceutical market. Astra has pursued a highly

aggressive marketing offensive

with Losec which reflects a clear shift in priorities inside the company. Mr Mogren said yesterday that it had incressed its marketing costs by 35 per cent this year and would do so by the same amount in 1991.

"Our ambitious are long-term," he added. "Our products are vehicles in our marketing strategy in the products are vehicles in our marketing strategy in the build-up of the group. We used to be just a north European company, but we have the ambition now to become a truly international company. We have the chancs to grow systematically and take the risk by doing so. We want to increase and develop in local markets where we are not yet strong enough."

Mr Mogren added that Astra is not looking for a mega-merger but talked of "restricted acquisitions to speed up sales in local markets."

At present Losec accounts for a fifth of Astra's sales and it is expected to increase its share in the next few years but Mr Mogren asserts: "We are not a one-drug company. We wish to specialise in different

niches in the market. Astra is keen to highlight its recent developments in both the cardiovascular and antiasthma drug markets. The company has a high regard for Plendil, its cardiovascular drug which has aiready been launched in 20 countries. Its anti-asthma Bircanyl Turbuhaler and Pulmicort Turbu-haler, launched in Sweden in August 1987 and December 1988 respectively, have also both enjoyed rapid market

both enjoyed rapid market growth in 24 countries.

Certainly the company looks in good shape for 1991. Over the first three quarters of this year profits before financial items climbed by 34 per cent to SKr1.84bn (\$328m) from SKr1.87bn in the same period of 1989 while earnings per of 1989 while earnings per share after tax rose to SKril.10 from SKr7.85, a growth of 41

Mr Mogren is coy about next year's financial outlook but says with understatement: "It looks very promising." London Stock Exchange,

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By: Citibank, N.A. (CSSI Dept.), Agent Bonk CTTBANC

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ECU 40,000,000 **GUARANTIED FLOATING RATE NOTES 1984-1991** for the six months 18 December 1990

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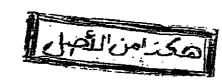
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\$300,000,000 Floating rate notes due 1995. Initial Tranche \$200,000,000

For the interest period 17 December 1990 to 18 March 1991 the notes wil bear interest at 14.10938% per unum, interest payable on 18 March 1991 per \$100,000 nate

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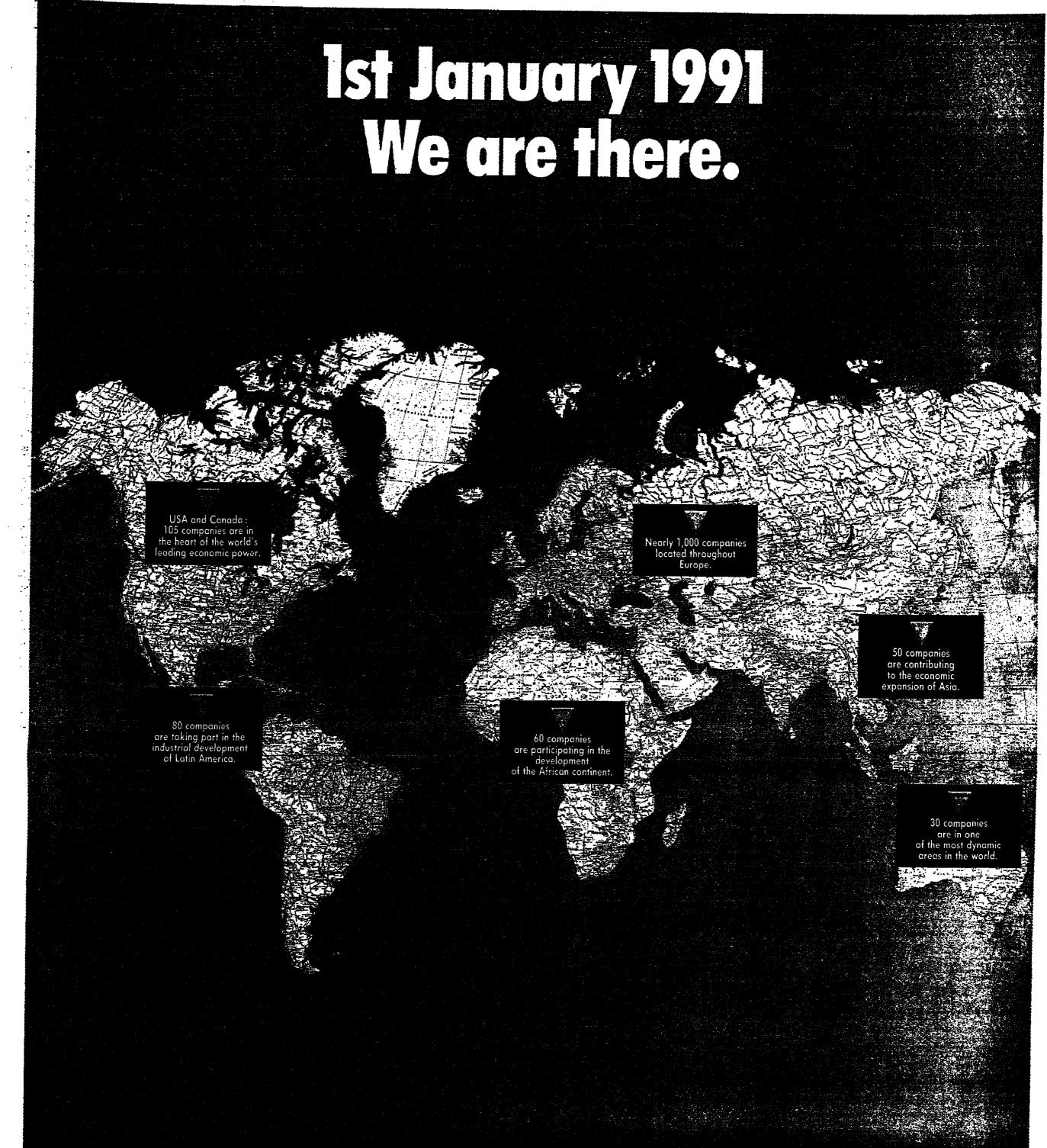
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To the Holders of the 9½% Series A Notes Due 1992 of General Electric Credit Corporation

(now known as General Electric Capital Corporation)

Notice is hereby given, pursuant to the provisions of Section 6 of the Fiscal and Paying Agency Agreement, dated as of December 18, 1985, between General Electric Credit Corporation (the «Company») (now known as General Electric Capital Corporation) and Union Bank of Switzerland, as Fiscal and Paying Agent, and paragraph 5(b) of the Terms and Conditions of the above-mentioned Notes (the «Notes»), that all of the Notes will be redeemed on January 18, 1991 (the «Redemption Date») at the price equal to 100% of their principal amount together with accrued interest to the date fixed for redemption (the «Redemption Price»). Interest on the Notes shall cease to accrue from and after the Redemption Date. On and after the Redemption Date, the sole right of the holders of the notes shall be to receive the Redemption Price.

Payment of the Redemption Price will be made upon presentation and surrender of the Notes, together (in the case of bearer Notes) with all appurtenant coupons maturing subsequent to December 18, 1990, at any of the paying agencies listed below. In the event any such unmatured coupons fail to be presented, the amount of the missing coupons will be deducted from the Re-

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Coupons which have matured prior to the Redemption Date should be detached, presented and surrendered for payment in the usual manner.

Payment on any Note made within the United States, including by transfer to a United States dollar account maintained by the payee with a bank in the City of New York, may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 20% of the gross proceeds (including accrued interest) if the payee fails to provide the paying agent with an executed IRS Form W-8 in the case of a non-U.S. person or an executed IRS Form W-9 in the case of a U.S. person. In general, no such backup withholding will be required in the case of presentation of bearer Notes for redemption with a paying agent outside of New York, New York, if payment is made outside the United States. Information reporting to the IRS will only be required with respect to payment on any Note or coupon which is made outside the United States if made to a U.S. person in certain circumstances. U.S. holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to an IRS penalty. Accordingly, please provide any appropriate certification when presenting the Notes or coupons for payment.

General Electric Credit Corporation (now known as General Electric Capital Corporation)

Union Bank of Switzerland as Fiscal and Paying Agent Dated: December 19, 1990



Goldstar Co., Ltd.

(the "Company") (a company incorporated with limited liability in the Republic of Korea)

> Notice to the holders of the

U.S. \$30,000,000 1% per cent. Convertible **Bonds Due 2002**

of the Company

(the "Bondholders" and the "Bonds" respectively)

constituted by a Trust Deed dated 11th August, 1987 (the "Trust Deed") made between the Company and Bankers Trustee Company Limited (the "Trustee") as trustee for the Bondholders.

NOTICE IS HEREBY GIVEN to the Bondholders that: ≥ S MEREBY crivers to the conditions of the Bonds and the Trust Deed, the Bondsholders' rights of conversion of the Bonds (the "Conversion Rights") into fully-paid and non-assessable shares of common stock of the Company ("Common Stock") can be exercised on and after whichever is the later of 11th February, 1989 and the tenth day after notification by Merrill Lynch International & Co. ("Merrill Lynch") to Bondholders of its satisfaction that, inter alia, Common Stock may lawfully be purchased, held and transferred by non-residents of Korean stituted material residents of the second state of the sec

Korsa without material restrictions or conditions. The present provisions of Korean law impose restrictions which do not permit Merrill Lynch to give the notice indicated above and accordingly the pre-condition for the exercise of the Conversion Flights is not satisfied at the present time; the Company has requested the Trustee to concur in modifying the Conditions of the Bonds and the Trustee by detering from the Conditions of the Bonds the pre-condition for the exercise of the Conversion Rights referred to above; since, at the request of the Trustee, the Company has covenanted, subject to the condition described below, not to exercise any right it may have to redeem the Bonds pursuant to Condition? (8) prior to 1st January, 1993 or, if earlier, the tenth day after the date on which Merrill Lynch would, in the absence of such modification, be entitled to give the notice indicated in (f) above and Merrill Lynch international Limited has expressed to the Trustee its opinion that, in the Eight of such covenant, such modification is in the best interests of the Bondsolders as a whole, the Trustee has been able to concur in the proposed modification; such covenant and modification are contained in the First Supplemental Trust Deed dated 14th December, 1990 (the "First Supplemental Trust Deed") made between the Company and the Trustee and are conditional only on the obtaining of the necessary Korean governmental and regulatory consents. The Company has covenanted in the First Supplemental Trust Deed to use its best endeavours to obtain such consents and further notice will be given to the Bondholders by the Company within 14 days of such consents being obtained; and

and copies of (a) the Trust Deed and the First Supplemental Trust Deed, (b) a letter deted 14th December, 1990 from Merrill Lynch International Limited to the Trustee expressing its opinion described in (iii) above, and (c) a letter dated 14th December, 1990 from Lee & Ko, iswyers, of Seout, Korea to the Trustee describing the extent of the restrictions affecting shares held by non-residents of Korea and foreigners are available for inspection until further notice by Bondholders during normal business hours at the specified offices of the Paying Agents listed before

PRINCIPAL PAYING AGENT Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE.

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This notice is given by Goldstar Co., Ltd.

Dated 19th December, 1990

tation to any person to subscribe for, or purchase, any :

Application has been made to the Council of The Stock Exchange for the Shares and Warrants in Destachland Investment Corporation Inc. (the "Company") to be admitted to the Official List. Such admission to become effective and dealings in Shares and Warrants are expected to begin on 24th December, 1990. No application has been made for the Units to be admitted to the Official List.

DEUTSCHLAND INVESTMENT CORPORATION INC.

(an exempted company incorporated with limited liability under the laws of the Cayman Islands with registered number 355768.)

Placing of 1,200,000 Units

at a price of DM80 per Unit payable in full on subscription. Each Unit will consist of five ordinary Shares issued at a price of DM16 each and one free Warrant attached entitling the holder to subscribe for one further Ordinary Share at a price of DM 16 (subject to adjustment) at any time from 31st December, 1990 up to and including 29th December, 1995

Particulars relating to the Company are contained in the Companies Fiche Service of the Stock Exchange and in the prospectus dated 18th December, 1990, copies of which are available during the normal business hours until and including 7th January, 1991 from the Company Announcements Office of The Stock Exchange, 45-50 Finsbury Square, London, EC2A 1DD. (for collection only), and until and including 7th January, 1991 from:

> ROBERT FLEMING & CO. LIMITED 25 Copthall Avenue London EC2R 7DR

> > 19th December, 1990

INTERNATIONAL COMPANIES AND FINANCE

Argentina to sell 150 state companies US paper

By John Barham in Buenos Aires

ARGENTINA is to sell off some 150 federally-owned companies next year, in a continuation of its aggressive privatisation pol-

Mr José Roberto Dromi, public works and services minister, said the privatisations should be completed by late next year. The government had already sold seven companies since it took office in July 1989,

SEGBA, the Buenos Aires electricity company, will be the first company to be sold in 1991. A recent government report said SEGBA was in a "critical" state because invest-ments had fallen by 51 per cent and losses were running at close to US\$30m a month.
Other companies listed for sale include OSN, the water

Hongkong

By Angue Foster

Bank Canada

HONGKONG Bank of Canada

has bucked the trend of its par-ent and fellow subsidiaries by

announcing profits up by nearly 40 per cent for the year ended October 1990. The bank, a subsidiary of the

troubled Hongkong Bank,

reported profits of C\$48.7m (US\$42.3m) compared with

C\$84.8m last year. The bank

said the results were due to an improved performance and a

larger asset base.
Consolidated assets rose 67.2
per cant to C\$10.2im. The steep
rise in assets was partly due to
the takeover earlier this year
of the former Lloyds Bank Can-

ada. Following the acquisition, Hongkong Bank of Canada became the largest foreign

The result contrasted sharply with recent profit

announcements by the bank and its subsidiaries. In August, the Hongkong Bank reported a

20 per cent drop in profits, the

first such drop for 20 years, while its US and Australian subsidiaries have lost money

this year. Meanwhile, senior govern-

ment officials in Hong Kong yesterday moved to play down the significance of Hongkong

Bank's decision to shift the

domicile of its ultimate holding

company to London.

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FRILAND 5 3/8 95
CENIENAL MUTORS 7 1/2 95
JAPAN BEV BK 5/12 94
MEW ZEALAND 4 7/8 99
GUEBEC HYNN 5 68
SKANDINANSKA EKSK 6 1/2 95
WORLD BANK 5 75

YEN STRAIGHTS
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CARADA 43/892
CEDIT FORMICER 51/494
DEHARAK 795
EIB 45/894
GENERAL ELECTRIC 53/495
ANTER AMER DEV 71/400
TALY 53/492

and the state of t

bank in the country.

company, Gas del Estado, a gas distributor, KLMA, a shipping line; and the port authority. Concessions to operate cil-fields, coal mines, federal high-ways and three railway lines will also be auctioned. The national mint, the Buenos Aires underground railway and the national grain board are

also to be sold Mr Dromi also announced that the government was working on plans to privatise the entire energy sector, including YPF, the oil company, and Yacyretá, a major hydroelectric dam still under construc-

The government plans numerous changes in the pri-vatisation process. Critics say previous privatisations suf-fered from improvisation, a lack of transparency, and a poorly designed regulatory framework. Mr Dromi said the new system would be announced by the end of Feb-ruary after close consultations with industry and unions.

However, the minister said he had already decided that each share issue would be handied by a team rather than by a single official. He also said the government would ensure that the companies were better managed while they were pre-

pared for sale.

The companies sold this year were sorely neglected in the run-up to their privatisation. Mr Dromi promised that the government would improve contacts with creditor banks to ensure that the privatisations go ahead more smoothly. Creditor banks often have to give their approval for privatisations, since loan contracts do not allow the debtor companies to sell assets without prior

President Fernando Collor de Mello of Brazil has authorised Mr Ozires Silva, the minis-ter of infrastructure, to extinguish or privatise Lloyd Brasiliero, the alling state-owned maritime transportation COMBRATY.

Mr Ozires Silva met yester-day with representatives from the maritime navigation sector to decide which option he would take. Central to his decision will be an evaluation of Lloyd's maritime routes. Lloyd has debts of \$300m. Irate creditors have seized nine of the company's ships in port.

summer, A&P was haggling for more management input at

isosceles. Mr Jim Woods, group chairman, indicated that if this

did not happen his company

would not contribute to any fresh capital injection.

• Carter Hawley Hale, the heavily-indebted Californian

department store chain, reported a slightly larger net

loss of \$14.9m in the first quar-

ter of its year to November 3. The results were hit by a

\$35m charge for "realigning" operations, but benefit from a \$30m gain on the sale of the

R. H. Macy, the highly leveraged US department store group, said that its existing investors had agreed to sub-

scribe for \$119m of new preferred stock in its private

equity offering.
This falls short of the \$150m

which Macy said it planned to

Kong investor who does not

shares at the same \$31.81 price before March \$1 next year.
Separately, a further \$18.6m of series II preferred stock is being sold to a number of shopping centre developers.
Macy, which intends to use the money to repurchase the

the money to repurchase its subordinated debt, declined to elaborate on which of

its existing investors had been prepared to invest new money into the company. • Bramalea, a large Toronto-

based property developer, has written off C\$115m (US\$100m)

from the value of its land hold-

ings, giving it a loss of C\$68.7m or \$5 cents a share for the year ended October 31, writes Robert Gibbens in Montreal.

The company, which is controlled by the Peter and Edward Bronfman interests they are the controlled of the Peter and Edward Bronfman interests.

through Trizec, earned a peak \$64.8m or 88 cents a share in fiscal 1989. Revenues were

\$972m in fiscal 1990, down 15

per cent.

Bramalea has a \$5bn portfolio of property assets, including residential and commercial buildings, shopping centres, and a large land bank.

Operating profit in fiscal 1990 was \$51.5m, down 21 per cent. because of depressed.

cent, because of depressed home sales in Toronto and southern California. Most of the write-down concerned

property acquired in the

Toronto area nearly two years ago for an estimated \$1bn.

fell from \$43m to \$34.6m.

mers subsidiary. Interest

group to buy French operation

By Martin Dickson in New York

INTERNATIONAL Paper, the US forest products group which has been expanding rapwhich has been expanding rapidly through acquisitions in Europe, said it had agreed to buy the French operations of Georgia-Pacific, another leading US paper company, for FFr525m (\$105m).

The sale includes Georgia-Pacific's interests in Pana.

Pacific's interests in Pape-teries Etienne, a linerboard teries Etienne, a linerboard and corrugating medium manufacturing operation at Aries; Papeteries d'Espaiy and Embellages Laurent, two packaging plants at LePay and Chalon-sur-Saone; and Ets Charles Grenier and Rhone Valley Packaging, two sheeting facilities at St Vallier and Beventin-Vangris.

International Paper said the

International Paper said the move was a logical expansion of its long-standing European container board converting

Georgia-Pacific said the operations were non-strategic and it would continue to focus on its US operations. The sale would help reduce its debt, which rose sharply earlier this year when it acquired the paper company Great North-ern Nekoosa.

The move followed an announcement last Friday by International Paper that it planned to take a \$212m pre-tax charge in the fourth quar-ter, mainly to cover the sale or liquidation of assets which are not strategically important or not making an adequate

The company would not reveal the assets earmarked for disposal, but said all of them were in the US. The move, it added, followed a detailed review of all activi-

Asset sales were expected to generate as much as \$200m in after-tax proceeds over the next three years. The company estimated that the pre-tax earnings benefit from its actions would be \$25m to \$40m

annually.

Another large US paper company, Mead Corporation, has announced a series of cost reduction and restructuring moves which, it said, would mean a one-time after-tax charge of \$95m to 1990 earnings. It is also cutting its 1991 capital expenditure from \$500m to \$350m. - Mead said it would take a

However, the company added that it had also agreed in principle that an affiliate of Sir Run Run Shaw, a Hong \$49m charge to reflect a write-down of assets in its Mead Imaging division, and to establish a reserve to fund currently have any interest commitments to hardware in the US group, should sub-scribe for a further \$25m of

In addition, the investor's affiliates would be entitled to acquire a further \$25m of Malaysian bank back in black after restructure

By Lim Slong Hoon in Kuala Lumpur

BANK Bumiputra, Malaysia's second largest bank, has reversed from years of losses to report a M\$77m (US\$28m) after-tax profit for the 12 months ended March 1990.

The group's accumulated losses stood at M\$1.52bn last year. These lad Bumiputra to restructure its equity and raise an additional M\$1.15bn

in new imals.

The bank's pre-tax profit for last year was M\$80m, compared with the previous pre-tax loss of M\$1.94bm. The recovery stemmed mostly from a sharp fall in total expenditures, from M\$1.43bm to M\$433m.

Bed and deabtful dake mostly.

Bad and doubtful debt provi-sioning fell 85 per cent from M\$842m to M\$130m, while "other expenses" dropped also
by 85 per cent from M\$325m to
M\$49m. Bad debts written off
in the year amounted to

£ 1.

PRED INTEREST

Malaysian banks will Two Malaysian banks with soon join seven other banking groups to be listed on the Kuala Lumpur stock exchange as a result of a restructuring of the financial sector. Ban Hin Lee and Hock Hua, two marked has banks are seeking regional banks, are seeking listings.

ing its Isosceles stake dented earnings by around 5 cents a share during the three-mouth period, although this factored into the 1989 figures as well, so comparisons are not affected. The board is currently discussing the long-awaited refinancing plan for Isosceles. Last

A&P earnings virtually flat

advances 40%

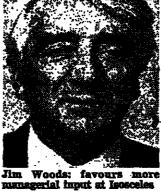
GREAT ATLANTIC & Pacific Tea, the big US supermarket chain, yesterday reported third-quarter after-tax profits of \$32.05m, virtually flat against the comparable three months of 1989.

in the compares with \$31.2m in the corresponding period a year ago, and translates into a rise of 2 cents in earnings per share, to 84 cents. Profits for the first nine months have increased from \$112.2m to

The company, which owns 20 per cent of the UK retailer Isosceles, and whose outlets range from the traditional A&P supermarkets to Food Emporium, Waldbaum's and Farmer Jack stores, conceded that sales had been "very singgish". It blamed the general economic conditions.

Turnover rose from \$2.55bn

ever, both the sales and profit figures include six weeks' con-tribution from the 69 Miracle Food Mart stores, which A&P to \$2.61hn during the 12-week period to December 1. How-



acquired in late October.

A&P said the cost of financ-

Dragonair expands in China Macy to raise **\$119m** with new shares

By Nikki Talt

raise last month.

In January, Cathay Pacific and China International Trust and Investment Corporation (CFTIC), one of Peking's largest foreign investment companies, took control of the loss-making

Dragonair.
The two airlines have since been co-operating, and Drago-nair has taken over Cathay Pacific's China routes

FT/AIBD INTERNATIONAL BOND SERVICE

DRAGONAIR, the fledgling Hong Kong airline controlled by UK, Hong Kong and Chi-

hese interests, is opening four more offices in China, writes Angus Foster in Hong Kong. This is part of a plan for the

airline to become a feeder carrier into China to serve

Cathay Pacific's hub in Hong

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FLOATING BATE NOTES
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CONVENTIBLE BOYEST: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share express
currency of share at conversion rate laxed at issue. Prem = Percentage pressum of the current effective price of acquiring shares via an
over the most recent price of the shares.

U.S. \$200,000,000



BANK OF BOSTON CORPORATION

Floating Rate Notes Due 2000 Issued 12th September 1985

Interest Period

14th September 1990 14th March 1991

Interest Amount per U.S. \$50,000 Note due 14th March 1991

U.S. \$2,005.82

Credit Suisse First Boston Limited Agent Bank

group to buy Frend operation By Martin Dicketon

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INTERNATIONAL CAPITAL MARKETS

German banks search for support for futures market

By Katharine Campbell in Frankfurt

GERMAN banks have been forced to search for ways of supporting their domestic futures market after an embar-rassingly slow start to the bund contract, launched at the end of November in competition with London.

While the bund has become one of Liffe's most successful contracts, the German market had no indigenous instrument until the Deutsche Terminborse (DTB) expanded its elec-tronic options system to include futures from November

German bankers were dismayed when only an average of 2,500 contracts changed hands each day (less than a tanth of Liffe's business) after the fanfare with which the new

US BOND prices rose sharply

yesterday afternoon following the Federal Reserve's decision

to cut the discount rate from 7 to 6.5 per cent, effective from

The timing of the move sur-

GOVERNMENT

a meeting of the Federal

Reserve's policy-making open market committee in Washing-ton, it had not anticipated the

discount rate action. In the wake of the Fed deci-

sion the benchmark 30-year Treasury long bond rose in

mid-afternoon by almost one point to 107.07, to yield 8.097 per cent. At the shorter end of the market, the 7.75 per cent bonds due in November 1993,

rose by % to 101.07 where they

on the strong side the authori-

ties intervened yesterday

morning, arranging \$2bn of

customer repurchase agree-ments, after Monday's \$1.5bn.

Fed funds were trading

at 71 when the Fed entered the market against its target

With the Fed funds market

yield 7.261 per cent.

BONDS

prised the market; although it had been focusing on some up a possible easing in the wake of points.

product had been launched and the public promises to bring at least a significant share of the business back home. The costs of the exchange

have been steep, and Frankfurt's pretensions as a leading financial centre could be undermined if even D-Mark denominated instruments continue to be traded more

actively elsewhere.

Now Deutsche Bank has reversed its earlier decision to trade where the market is most liquid, and has confirmed its plans to "give preference" to the DTB. It denies that it is bringing anything like all its business home or that it is transferring any personnel.

Deutsche Bank's power in the German market generally,

Treasuries rise on cut in discount rate

to some analysts, breaching

such a psychological resistance point means the yield could go up a further 10 to 20 basis

The high point for the price of the 119 benchmark bond produced a yield of 6.99 per cent yesterday as the market traded

in a narrow range and closed with a yield of 7.08 per cent.

personified not least by the influence of Mr Rolf Breuer, managing board director at Deutsche and chairman of the DTB, is likely to ensure a certain following among the other German banks that have been

using Liffe.
But most traders are reluctant to bow to "political" pres-sure, preferring to deal where they can make money, namely in the more liquid market.

in the opening half-hour yes-terday, some 1,500 contracts were traded on the DTB, with only about a third of that vol-ume put through Liffe. But the pattern son reverted to normal, with volume for the day on the DTB 2,688, compared with 13,750 on Liffe, excluding the latter's after hours trading.

By Nikki Tait in New York and Deborah Hargreaves in London THE yield on Japanese government bonds dipped through 7 per cent yesterday. As the market continues to defy economic fundamentals, according monthly auction of bonds due

to the holidays. The auction of December bonds will probably be on January 8 when the MoF is likely to sell Y700bn of bonds with a coupon that could be 6.5 per cent based on current ■IN the UK, gilt-edged securi-

ties showed some consolidation after the release of disappointing public sector borrowing requirement figures. But business was slow and the market kept in a narrow range. A long benchmark issue maturing in 2003/07 closed at 107.5 to yield The Japanese ministry of 2003/07 closed a finance will postpone its 10.66 per cent.

	Coupon	Red Date	Price	Change	Yield	Week ago	Most ago
UK GILTS	13.500 9.000 9.000	08/92 03/00 10/08	102-29 90-12 89-30	-06/32 -11/32 -13/32	11,59 10,68 10,23	11.18 10.49 10.11	11,37 11,25 10,91
US TREASURY	8.500 8.750	11/00 08/20	103-31 107-06	+21/32 +26/32	7.91 8.10	7.94 8.10	8.29 8.44
JAPAN No 12		6/99 03/00	88.1501 98.6808	+0.446 +0.507	7.03 6.63	7.08 6.80	7,70 7,36
BERMANY	9.000	10/00	101.6000	-0.240	8.74	8.71	8.93
RANCE BTA		11/95 03/00	95.5901 91.7900	-0.035 +0.050	10.17 9.87	10.12 9.87	10.28 10.25
CANADA *	10.500	03/01	102.2000	+0.200	10.15	10.05	10.52
ETHERLANDS	9.250	11/00	101,4300	-0.140	9.02	9.01	9.14
USTRALIA	13.000	07/00	105.7428	+0.115	11.98	11.89	12.44
SELGIUM	10,000	08/00	100.1500	-0.100	9.96	9.70	9.75

firms in talks on merger of 'back offices'

By Martin Dickson

SHEARSON Lehman Brothers and Prudential-Bache Securities, two of Wall Street's large securities firms, are discussing the possible merger of their "back office" operations, which process dealings in securities, in an effort to cut costs. Wall Street executives

stressed the talks were in a very preliminary stage and did not involve any wider plan to merge the two firms. Neither company would comment.

But, if the discussions are successful they could mark the start of a much larger rationalisation of back offices at many Wall Street firms, involving large cost savings and substantial job losses.

For the two companies would then try to farm out their combined services to other houses, or seek to bring in other firms as direct particlepants. stressed the talks were in a

pants.

Back offices and their complex computer systems were expanded greatly in the bull market of the 1980s, but since the 1987 crash many have been operating far below capacity, leaving firms with

very large fixed costs.

Shearson, which is owned by
American Express, and Prudential-Bache – part of Prudential Insurance - are understood to have started talking some seven to eight mouths ago. Each have around 2,000 back office staff, and the combined cost savings from a link-up could be as much as \$100m a year.

Some sources suggested yes-terday the firms might be able to reach a very preliminary agreement in several weeks time, although they stressed that combining two separate computer systems would be extremely complex.

Mitsubishi Corp lifts size of programme

MITSUBISHI Corporation Finance has increased the size of its international mediumterm note programme from \$1.2bn to \$2bn, the second rise in two months, writes Simon London. The programme was launched in September 1989, via Merrill Lynch.

US securities | Single market deadline threatened ber-states such as the UK, Ger-many and the Netherlands probably mean that all trades on stock markets would have

THE INVESTMENT services directive and the related capital adequacy directive will top the list of priorities for Luxembourg when it takes over as president of the Council of Ministers in January.

If both controversial direc-

tives - on which progress has been very slow - are not agreed by June next year, the January 1993 deadline for the single market may be missed.

The Italian presidency has failed in its ambition to get the critical legislation for the single market in investment services tied up during its sixment term.

month term, and on Monday evening dropped the item from the lengthy agenda of the finance ministers meeting. They will leave the debate at on regulated markets.
An earlier commission compromise, that would have reduced this right to limited circumstances covering small

investors and only a very small range of instruments and which would have allowed grumbling that recent moves investors to opt out, has been emasculated in the latest draft The new draft contains a highly restricted definition of a

from the presidency.

According to this, even the "regulated market" that would largest institutional investors leave out all financial futures and other derivative markets. would have to grant a legalis-tic permission for each trade It would also leave new markets, such as London's SEAQ International, outside the scope of the definition. The carried out on their behalf on an unregulated market. There is also much disagreement on draft would allow - as the the question of price reporting French and the southern mem-ber-states have consistently

and price transparency.

According to the British camp, the latest proposals confused the need to be able to establish an audit trail to urged - member-states to insist that trades in certain securities had to be carried out detect suspicious deals, and the need for investors to have good price information at the time of dealing.

The latest proposals would

the UK stock exchanges, where larger trades are often not Germany and the Nether-lands are also opposed to the reporting rules, as the struc-ture of their stock exchanges could make it physically

to be made fully transparent,

even the very large ones. This would be a serious problem for

impossible for them to comply. There is more sign of prog-ress on other issues. The Spanish had objected that the direc-tive would give banks the right to become members of their stock exchange - something that is not now allowed. A way round this would be to give

Spain more time to comply with this part of the directive. **CS First Boston**

IADB launches Y35bn issue

the Eurobond clearing houses

have been backwards.

Development Bank (IADB) maintained its recent high pro-file in the international bond market yesterday by launching a Y35bn issue, lead-managed by Dalwa, the only new issue

INTERNATIONAL BONDS

of the day. classified as a "daimyo" deal in the nomenclature of the international bond markets, being a foreign bond launched into the Japanese domestic market but with a European listing and settlement through

By Haig Simonian in Milan

ENI, the Italian state-owned energy and chemicals group,

announced plans to issue one

of the most innovative bonds ever seen on the Italian domes-

tic market. It will finance

ENI's acquisition of the Eni-mont chemicals joint venture.

The L1.402.5bn floating rate deal, to be issued in February,

will be convertible throughout

its life into shares of ENI's

chemical activities in conjunc-

tion with any future privatisation. The coupon for the fourLast week, the IADB launched three issues, a SFr150m 10-year issue, lead-managed by Credit Suisse, a DM300m 10-year issue via Deut-sche Bank and a \$300m fiveyear deal via J.P.Morgan. The government shareholders of the bank are currently

injecting new equity, which could open the way for a borrowing programme in excess of this year's total of \$1.78bn or \$1.98bn raised in 1988. Over the next four years, the bank should receive an additional \$26.6bn of equity capital. More-over, bond investors are receptive to paper from triple-A rated, sovereign-backed issuers in an environment character-

ENI plans L1,402bn floating rate deal

year paper will be linked to a basket of public-sector bonds and three-month lira interbank

interest rates. The first six-

monthly coupon has been set

at 6.40 per cent gross.

The bond, which follows last

month's decision by Montedi-son to drop out of the long-run-ning battle for control of Eni-

mont, will cover the cost of acquiring the 20 per cent of

Enimont's shares floating in

ised by worries over the credit quality of corporate issuers. The IADB currently has around \$9bn of paper outstanding in the international debt markets and total outstanding debt burdon of \$15bn. But this amounts to 75 per cent of capi-tal contributed by triple-A rated governments and reserves before the recapitalis-ation takes effect, so there is

scope for further issuance.
As the recent spate of issues demonstrate, the bank has in the past focused its borrowing programme on the traditional Euorbond currencies. However, next year the bank will be active in the market and will be looking at new funding opportunites in all currencies.

shareholders the same price of

L1,650 a share as bid for Mont-edison's 40 per cent stake in

the company. ENI has about 12,000bn in bonds outstanding. Recent issues include fixed-

rate bonds for L500bn matur-

• Gemina, the financial ser-

vices group controlled by Fiat.

ing in 1994.

nont, will cover the cost of is buying Republic New York couring the 20 per cent of Capital Markets (Luxembourg.), the Luxembourg-based capital markets subsidiary of Republic National Bank of New York.

completes restructuring CS FIRST Boston, the troubled New York-based investment bank, has completed a finan-

cial restructuring which will inject \$315m of new equity capital into the firm and give CS Holding of Switzerland majority control, writes Martin Dick-son in New York.

CS, the holding company for the commercial bank Credit

Suisse, has raised its stake in CS First Boston from some 44.5 per cent to about 60 per cent by providing \$300m of new CS First Boston yesterday

revealed it had also raised a further \$15m of equity from other institutional investors, but did not name them. The restructuring also

involves creating a special limited partnership which will contain most of CS First Boston's troubled "bridge" loans. It was Wall Street concern over these loans which necessitated the bail-out by CS Holding. Moody's Investors Service, the credit rating agency, said

yesterday it was confirming CS First Boston's long-term debt and commercial paper ratings, to reflect the recapitalisation and change of control Moody's said CS First Boston would benefit from CS Holding's managerial and financial resources. But added it faced organisational and market-environment challenges that could crimp its future performance.

LONDON MARKET STATISTICS

_	FT-A		 								
	⁰ The Financial Time										
	in conjunction with the	e Insti	tute o	f Actu	aries :	and ti	ie Pac	uity o	f Actu	eries	
	EQUITY GROUPS	1	ruesda	y Dece	mber 1	8 199	0	Mon Dec 17	Fri Dec 14	Thu Dec 13	Year ago (anoro
	& SUB-SECTIONS		T	Est	Gross Div.	Est.		 		 	
F	gures in parentheses show number of stocks per section	Index No.	Day's Change	Famings Yield% (Max.)	Yield% (Act at (25%)	P/E Ratio (Net)	xd ad]. 1990 to date	Index No.	index No.	Index No.	hades No.
1		721,17	-0.2	14.74	6.62	8.28	35.31	722.69	725.97	725.36	898.9
2		966.78	-0.7	14.91	6.32	8.26	45.71	973.97	983.88	982.54	
3	Contracting, Construction (34)	1132.67	-0.4	16.54	7.10	7.86	59.58	1137.77			
4		11926.78	+0.2	14.58	6.93	8.39	99.22	1923.77			
5	l	700 33 TO40'TO	-0.5 -0.4	10.33 16.77	5.55 6.10	12.91 7.14	61.02 17.27	1555.47 401.90	1559.96 412.31	1549.67 400.00	
7		366 (2)	+0.2	15.87	7.01	7.60	19.28	365.47	368.85		0.0
ś	Metals and Metal Forming (8)	403.16	+0.5	22.54	8.53	5.48	25.45	401.16	401.33	403.45	470.7
ğ		294.06	+0.5	16.98	818	6.86	17.45	292.53	294.48	292.77	374
10	i Other Industrial Materials (23)	1259.18		13.38	6.50	8.64	62.67	1259.43	1268.38		1730.
21		1230.28	+0.1	10,00	4.22	12.42	38.20	1229.37	1232.44		
22	Brewers and Distillers (22)	1601.81	+0.8	10,17	3.88	12.11	42.93	1588.65		1588.39	1516.7
25	Food Manufacturing (19)	1041.36	+0.2	11.15	4.75	11.05	34.87	1039.76			
20 27	Hoole retailing (16)	2277.00	+0.2 -0.2	9.80 6.97	3.28 2.96	13.33 17.00	64.97 59.28	2292.39 2569.38		2271.53 2584.44	
رر 20	Food Retailing (1.6)	1217 04	-0.1	12.20	5.47	9.94	48.00	1218.82			1643.4
57 31	Packaging & Paner (12)	519.72	+0.1	12.35	6.70	9.94	24.32	519.20	523.28	525.71	547.4
32	Packaging & Paper (12) Publishing & Printing (13)	2951.55	-0.4	12.18	6.42	10.28	140.95	2963.39			3766.6
34	Stores (34)	777.68	-0.4	10.98	4.70	11.83	25.73	781.08	789.60	794.03	779.3
35	Text lies (12)	404.00	+0.4	14.42	8.79	8.90	27.52	402,49	402.87	399.78	524.0
40	OTHER GROUPS (105)	1018.57	+0.3	1251	5.67	9.67	35.54	1015.75	1020.61	1026.02	1164.2
41	Agencies (24) Chemicals (24) Conglomerates (13) Transport (15) Telephone Networks(3)	927.15	-0.6 +0.7	11.47 12.59	3.62 6.28	10.56	25.06 51.96	933.10	929.29 1075.64	949.43 1093.00	
2	Consideration (1.2)	1990 1E	-0.5	13.66	7.76	9.38 8.71		1067.46 1295.21			
•>	Transport (15)	1000 66	+0.6	13.63	5.37	9.02	79.19	1897.56	1921.40	1920.87	2258.)
4	Telephon Networks 3	1774 13	+0.3	11.39	4.31	11.42	27.94	1170.98	1162.77		11828
17	Water(10)	2187,12	+1.0	14.32	6.41	7.88	68.12	2165.47	2166.86	2172.27	0.0
18	Water(10). Miscellaneous (26)	1587.87	+0.4	11.80	5.59	9.85	66.29	<u>1582.23</u>	1595.39	1610.24	1915.2
19	INDUSTRIAL GROUP (479)	1041.14	+0.1	11.81	5.19	10.38	37.64	1040,35	1044.47	1046.06	1172.8
51	Oil & Gas (21)	2316.97	+0.9	9,65	5.50	13.53	95.42	22%.56	2287.22	2276.43	2375.7
59	500 SHARE INDEX (500)	1146.08	+0.2	11_48	5.24	10.76	42.32	1143.81	1146.94	_	1273.1
	FINANCIAL GROUP (192)		-0.2		6.73		35.36	713.84	726.56	730,33	B34.4
2	Banks (9)	743.96	-1.0	21.65	7.78	6.05	43.40	751.68	774.00	783.27	853.9
5	Insurance (Life) (7)	1305.90	-0.3		5.88	-]	55.82	1309.31	1318.25	1311 19	
6	Insurance (Composité) (6)	620,32	+0.4	=	6.89	.=[32.08	617.84	629.39	631.07	725.6
.71	Incompance (Rankers) (X)	940.991	+1.8	7.63	6.53	17.16	48.39	973.35	975.72	972.51	1144.2
B	Merchant Banks (7)	300.00 079.40	-0.2 +0.2	5.47 7.22	5.77 5.09	24.36 18.76	15.48 35.10	356.62 976.18	356.51 966.73	356.33 991.58	472.0 1215.0
2	Other Financial (21)	255.21	#0.2 #0.1	10.82	711	11.69	14.00	254.86	255.39	255.31	332.4
		2020.72	-03	- 10	3.99		29.58	1013.67	1020.25		1290 1
		1182.35	+1.1	12.07	7.81	9.86	70.90	1169.64	1172.70		1505.4
	OTCI SCHOOL STREET, CO. MILLION CO.	1039.03	+0.1		5.43	- 7.00					1168.6
~	ALL-SINKE IRVEA W///	Index	Day's	Day's	Day's	Dec	Dec	Dec	Dec	Dec	Year
- 1	į	No.	Change	High (a)	Low (b)	37	14	13	12	11	200

FIX	(ED I	NTE	RE\$	Г			AVERAGE GROSS REDEMPTION YIELDS	Tue Dec 18	Mon Dec 17	Year ago Capprox
PRICE INDICES	Tue Dec 18	Day's change %	Mon Dec 17	xd adj. today	xd adj. 1990 to date	123	British Government Low 5 years Coupons 15 years	9.83 10.16 10.18	9.80 10.12 10.15	10.21 9.56 9.48
	118.94 127.91 131.26 148.44	-0.24 -0.25 +0.21	119.21 128.22 131.59 148.13	<u>-</u> -	12.05 13.42 11.90 13.70	8 9	Medium 5 years. Coupons 15 years. 25 years. High 5 years. Coupons 15 years. Tredesmables 25 years.	11.02 10.49 10.30 11.13 10.66 10.43 10.33	10.91 10.47 10.30 11.03 10.65 10.45 10.35	11.11 10.01 9.66 11.26 10.21 9.79 9.67
All stocks Index-Linked Up to 5 years Over 5 years All stocks	156.94	-0.26 -0.44	127.31 157.34 144.86 145.68	-	3.04 3.82 3.75	12 13 14	Index-Linker Inflation rate 5% Up to 5yrs. Inflation rate 10% Up to 5yrs. Inflation rate 10% Up to 5yrs. Inflation rate 10% Over 5 yrs.	3.99 4.15 2.60 3.95	3.84 4.11 2.45 3.92	3.86 3.61 2.93 3.43
Preference			103.67 74.07	-	11.35 6.66	16 17	Deirs & 5 years Loans 15 years 25 years	12.63 12.37 12.14 12.79	12.63 12.39 12.15 12.76	13.34 12.52 12.05

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LONDON TRADED OPTIONS

institutional positions ahead of the Christmas/year-end period, and also the explry today of the December share options.

The FT-SE December future

There was demand for British

Gas call options which were con-

premium, with the fair value pre-mium at around 6 - 10 points.

tute for the new electricity stocks; Gas topped the active options list with 2,184 contracts. Second in

Among the share options, much of the interest was stimulated by a spate of tax loss deals in the underlying equities; equity trad-

ers continued to speculate on the

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1kf Lyros 467)	420 460 500	75 37	90	97	2	é 15	9 19	Vallerer (*695)	650 700	19			25	16 37	23 45	Austral (*63)	60 70	4	8½ 4	13	8	4½ 10	75 12
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rit. Almays SAA >	345	77 78	24 16	25 19	452	51 ₂	13%	Etc., Phys. (*£1510)	1500 1550	50	105	170 140	50 80	70 95	100	British Gas (*234)	220 240	15 1	91 <u>6</u>	29 18	7	5 p 14	8 16
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200 Å 617)	550 600 650	75 33 10	95 93 92	꺯	12 39	10 23 47	15 30 55	Southern Ele (*248)	160	3½	8	12	3½ 14	5 15	7 16	Starro (*854)	850 900	30 1	55 32	83 60	.7 50	37 65	43 69
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352)	330 360	13	45 26 13	33 21	30	15 33	18 36	(%12) BAT lads	420 550 600	65	80	47 95 62	22 9 27	29 20 40	34 25	Lourbo (*215.)	200 218	17	21	ø	1 8	12	15
itish Steel 118)	110 120 130	11 2½ 1½	16 6	181 ₆	1년 2년 2년	3½ 19 26	5 21 27	(*594) BTR (*335)	330 360	20	46 28 16	38 25	12	40 21 40	25 42	Middled Sk (*198.)	120 200	20 31 ₂	30 15	55 22	1	10 19	12 25
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	1100 420	22	65	_	50	65 12	-	Cardinary Sch	300	41	45	55 36	4½ 14	9	12	R. Royce (*162.)	160 180	31 ₂	141 <u>2</u> 71 ₂	17	2 19	10 22	13
& Wire (55)	460 500	16 55	65 40 21	芝	15	27 52	17 33 58	(°330)	390 750	19 57	ŽŽ	36	14	22 30	24	Sees (*81.)	80 90	25 1	892 1	ارو 103	2 20	5 11	8 14
ertanids 143)	300 330 360	25	郑	5	7	12 12	17 17	(*776) GEC	800 160	29	58 77	73	39 3	52 44	57 R	THF (*247)	240 260	8	23 11		15 14 1	85 71	14 24
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and Met.	500 500 550	60	77	96	35	16	50 22	Lucas inds (*139)	140	15 8½	19 14	24 19	20 20	14	10 14	Wellcome (*444)	420 460	25 2	50 29	68 45	2 22	17 35	24 40
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Banco Central de Venezuela

U.S. \$87,367,000 Floating Rate Bonds due 2005 **USD New Money Series B-NP**

Banco Central de Venezuela

U.S. \$87,367,500 Floating Rate Bonds due 2005 **USD New Money Series B-P**

In accordance with the provisions of the Bonds, notice is hereby given that for the initial interest Period from December 18, 1990 to June 18, 1991 the Bonds will carry an Interest Plate of 8%% per annum. The interest payable on the relevant interest payment date, June 18, 1991 will be U.S. \$43.29 per U.S. \$1,000 principal

By: The Chase Manhattan Bank, N.A. Agent Bank

December 19, 1990

CHASE

The Republic of Venezuela U.S. \$968,562,000 Collateralized Floating Rate Bonds due 2020 **USD Discount Series A**

In accordance with the provisions of the Bonds, notice is hereby given that for the initial Interest Period from December 18, 1990 to June 18, 1991 the Bonds will carry an interest Rate of 82% per annum. The interest payable on the relevant interest payment date, June 18, 1991 will be U.S. \$42.97 per U.S. \$1,000 principal

By: The Chase Manhattan Bank, N.A. Agent Bank

By: The Chase Manhattan Bank, N.A. Agent Bank

December 19, 1990

CHASE

OCHASE

The Republic of Venezuela U.S. \$205,471,500 Floating Rate Bonds due 2005 **USD New Money Series A**

Banco Central de Venezuela

£5,987,500

Floating Rate Bonds Due 2005

STG New Money Series B-NP

Banco Central de Venezuela

£5,987,500

Floating Rate Bonds due 2005

STG New Money Series B-P

in accordance with the provisions of the Bonds, notice is hereby

given that for the Initial Interest Period from December 18, 1990 to June 18, 1991 the Bonds will carry an Interest Rate of 14%% per annum. The Interest payable on the relevant interest payment date, June 18, 1991 will be £35.99 per £500 principal

In accordance with the provisions of the Bonds, notice is hereby given that for the initial interest Period from December 18, 1990 to June 18, 1991 the Bonds will carry an interest Rate of 81/4% per annum. The interest payable on the relevant interest payment date, June 18, 1991 will be U.S. \$43.92 per U.S. \$1,000 principal

By: The Chase Manhattan Bank, N.A. Agent Bank

By: The Chase Manhattan Bank, N.A.

Agent Bank

December 19, 1990

December 19, 1990

CHASE

CHASE

The Republic of Venezuela The Republic of Venezuela U.S. \$211,139,000 U.S. \$5,352,811,000 Collateralized Floating Rate Bonds due 2020

Floating Rate Bonds due 2007 **USD Discount Series B USD Debt Conversion Series DL** In accordance with the provisions of the Bonds, notice is hereby

In accordance with the provisions of the Bonds, notice is hereby given that for the initial interest Period from December 18, 1990 to June 18, 1991 the Bonds will carry an Interest Pate of 8%% per date, June 18, 1991 will be U.S. \$43.29 per U.S. \$1,000 principal

By: The Chase Manhattan Bank, N.A. Agent Bank

December 19, 1990

CHASE

The Republic of Venezuela U.S. \$298,698,000 Floating Rate Bonds due 2008

given that for the initial Interest Period from December 18, 1990 to June 18, 1991 the Bonds will carry an Interest Rate of 81/96 per

annum. The interest payable on the relevant interest payment date, June 18, 1991 will be U.S. \$42.97 per U.S. \$1,000 principal

USD Debt Conversion Series IL In accordance with the provisions of the Bonds, notice is hereby given that for the initial Interest Period from December 18, 1990 to June 18, 1991 the Bonds will carry an Interest Rate of 81/4% per

annum. The interest payable on the relevant interest payment date, June 18, 1991 will be U.S. \$43.29 per U.S. \$1,000 principal

Agent Bank

December 19, 1990

December 19, 1990

OCHASE

The Republic of Venezuela £119,402,500 Floating Rate Bonds due 2007

STG Debt Conversion Series

in accordance with the provisions of the Bonds, notice is hereby given that for the initial interest Period from December 18, 1990 to June 18, 1991 the Bonds will carry an interest Rate of 14%% per annum. The interest payable on the relevant interest payment date, June 18, 1991 will be 235.99 per 2500 principal

By: The Chase Manhattan Bank, N.A.

December 19, 1990

CHASE

The Republic of Venezuela U.S. \$66,732,000 Floating Rate Bonds due 1991

USD New Money Series A-2-P The Republic of Venezuela

U.S. \$66,732,000 Floating Rate Bonds due 1991 **USD New Money Series A-2-NP**

In accordance with the provisions of the Bonds, notice is hereby given that for the Interest Period from December 18, 1990 to January 18, 1991 the Bonds will carry an Interest Rate of 81/4%

NOTE: It is conten

it is contemplated that Bonds of both the USD New Money A-2-P
Series and USD New Money A-2-NP Series will be exchanged on
January 18, 1991 for like amounts of the USD New Money B-P
Series and the USD New Money B-NP Series of Barico Central
de Venezuela Floating Rate Bonds due 2005.
Subject to the exchange of the Bonds of the USD New Money
A-2-P Series and the USD New Money A-2-NP Series as
contemplated on Floterest Differential Amount of U.S. Subject contemplated, an "Interest Differential Amount" of U.S. \$0.11 per U.S. \$1,000 principal amount of such Bonds will be psyable on January 18, 1991 (and no other interest amount will be psyable

nds of the USD New Money B-P Series and the USD New Money B-NP Series (received in such exchange) will carry an Interest Rate of 81% per annum for the Interest Period from December 18, 1990 to June 18, 1991. Interest for such full six month period will be payable to holders of Bonds of the USD New ey B-P Series and USD New Money B-NP Series on June 18,

By: The Chase Manhattan Bank, N.A. Agent Bank

December 19, 1990

OCHASE

The Republic of Venezuela £4.599,500 Floating Rate Bonds due 1991 STG New Money Series A-2-P

The Republic of Venezuela £4,599,500 Floating Rate Bonds due 1991

STG New Money Series A-2-NP

In accordance with the provisions of the Bonds, notice is hereby given that for the interest Period from December 18, 1990 to January 18, 1991 the Bonds will carry an Interest Rate of 14%%

plated that Bonds of both the STG New Money A-2-P Series and STG New Money A-2-NP Series will be exchanged on January 18, 1991 for like amounts of the STG New Money B-P Series and the STG New Money B-NP Series of Banco Central

to Venezuela Floating Rate Sonds due 2005.

Subject to the exchange of the Bonds of the STG New Money A-2-P Series and the STG New Money A-2-NP Series as contemplated, an "interest Differential Amount" of 20.05 per 2500 principal amount of such Bonds will be payable on January 18, 1991 (and no other interest amount will be payable thateon!

ungreum). Bonds of the STG New Money B-P Series and the STG New Money B-NP Series (received in such exchange) will carry an interest Rate of 14%% per annum for the Interest Period from December 18, 1990 to June 18, 1991. Interest tor such tuil six month period will be payable to holders of Bonds of the STG New Money B-NP Series on June 18, Money B-P Series and STG New Money B-NP Series on June 18,

By: The Chase Manhattan Bank, N.A. Agent Bank

December 19, 1990

OCHASE

FIDELITY FRONTIER FUND Societe d'Investissement a Capital Variable 33, Boulevard Prince Henri L-1724 Luxembourg

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of the shareholders of FIDELITY FRONTIER FUND, a Societe d'investissement a capital variable organised under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the registered office of the Fund, 33, Boulevard Prince Henri, Luxembourg, at 11:00 a.m. on December 27, 1990, specifically, but without lamitation, for the following purposes:

- Presentation of the Report of the Board of Directors.

 Presentation of the Report of the Auditor.

 Approval of the balance sheet and income statement for the fiscal year ended August 31, 1990.

 Discharge of the Board of Directors and the Auditor.

 Ratification of the co-option of Charles T.M. Collis as a Director of the Fund in replacement of John M.S. Patton.

 Election of six (6) Directors, specifically the re-election of the following six the color of the Collis as a Director of the Fund in teplacement of the following six the color of the following
- Election of six (6) Directors, specifically the re-election of the following six (6) present Directors: Mestra. Edward C. Johnson 3d, Charles T.M. Collis Charles A. Fraser, Jean Hamilius, Harry G.A. Seggerman and H.F. van
- ion of the Auditor, specifically the election of Coopers & Lybrand, Declaration of a cash dividend in respect of the fiscal year ended August 8.

Approval of the above items of the agenda will require the affirmative vote of a majority of the shares present or represented at the Meeting with no minimum number of shares present or represented in order for a quorum to be present. Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

BY ORDER OF THE BOARD OF DIRECTORS

FIDELITY ORIENT FUND Societe d'Investissement a Capital Variable 33, Boulevard Prince Henri L-1724 Luxembourg

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of the shareholders of FIDELITY ORIENT FUND, a Societe d'investissement a capital variable organised under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the principal and registered office of the Fund, 33, Boulevard Prince Heari, Luxembourg, at 12:00 noon on December 27, 1990, specifically, but without limitation, for the following purposes:

- Presentation of the Report of the Board of Directors.

 Presentation of the Report of the Auditor.

 Approval of the balance sheet and income statement for the fiscal year caded August 31, 1990. Discharge of the Board of Directors and the Auditor.
- Pasification of the board of Directors and the Auditor.

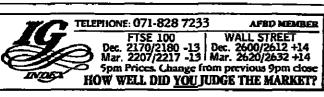
 Ratification of the co-option of Charles T.M. Collis as a Director of the Fund in replacement of John M.S. Patton.

 Election of six (6) Directors, specifically the re-election of the following six (6) present Directors: Messrs. Edward C. Johnson 3d, Charles T.M. Collis Charles A. Fraser, Jean Hamilius, Harry G.A. Seggerman and H.F. van den Hower.
- Election of the Auditor, specifically the election of Coopers & Lybra
- Linembourg.

 Consideration of such other business as may properly come before the

Approval of the above items of the agenda will require the affirmativate vote of a majority of the abares present or represented at the Meeting with no minimum number of shares present or represented in order for a quorum to be present. Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

BY ORDER OF THE BOARD OF DIRECTORS



DOLLAR Where Next? Call for our current views

CAL Futures Ltd Windsor House 50 Victoria Street London Tel: 071-799 2233 Fax: 071-799 1321

UK COMPANY NEWS

Wessex Water is top of the interim dividend chart

WESSEX WATER yesterday ended the water companies' interim results season with a bang - increasing its dividend 20 per cent to 6.1p, against a notional figure of 5.07p in the equivalent period.

It was the largest interim

dividend rise by any of the 10 privatised water companies and Wessex partly-paid shares

and Wessex party-pand sources rose 8p to 256p.
Other water share prices were marked up.
Wessex played down the significance of the increased dividend. The group stressed instead that it had kept the rise in operating expenditure down to 8 per cent in the six months to September 30, and pushed operating profits up from £24.6m to £31m.

Mr Nick Hood, Wessex chairman, said yesterday: The dividend increase is based on a Mr Hood said the group was on schedule with its capital expenditure and expected an

(the government's adviser on privatisation]. We are not in a dividend race. In terms of the middle of the pack." Wessex's pre-tax profits rose

from an actual figure of £8.8m in the first half of 1989-90, to £34.9m. Had the capital structure imposed for privatisation been in place at the beginning of April 1989, Wessex would have made pro forma pre-tax profits of \$30.5m in the comparable period. Turnover increased from £73.6m to £83.5m, slightly ahead of the regulated rate of charge increases, and first-half earn-

ings per share rose from a pro-forma 28.1p to 32p.

Mr Hood said the group was on schedule with its capital

markets. Electrical engineering profit was static at about

Capital spending is due to fall below £7m this year, com-

Year-end gearing is expec-ted to rise from 30 to 35 per

Earnings per share fell to 6.6p (8.2p). The interim dividend is held at 2.5p.

pared with £10m.

COMMENT

notional figure, which was imposed on us by Schroders per cent on this year's capital per cent on this year's capital programme of £100m. He added that Wessex was intending to end disposal of sewage to sludge to sea by 1993, five years ahead of the govern-

Last week Lyonnaise des Eaux Dumez, the French water and construction group, sold a 6 per cent stake in Wessex, which it bought just after deal-ing in the shares began last

Wessex said it was pleased the disposal had brought in new institutional investors. One buyer was the group's largest shareholder, Mercury Asset Management, which increased its holding from 12 per cent to 12.5 per cent, held in a number of managed trade. funds:

Triplex Lloyd 19% lower at £4.2m following disposal

By Jane Fuller

TRIPLEX LLOYD, the Midlands engineering and building products group, saw pre-tax profits fall by 18.9 per cent in the six months to Sep-

The decline, from £5.1m to £4.2m, followed the sale of a steel casting business, which contributed £830,000 last time, and a fail in property gains to £390,000 (£920,000).

Operating profit on continuing activities, excluding property, inched ahead to £5.3m (£5.1m). Interest charges were reduced to £1.5m (£1.7m).

Overall, turnover increased to £102.2m (£85.6m). The disposal was more than offset by acquisitions in Canada and the UK, notably a loss-making castings business called Sterling, and capital spending in

the power division.

Mr James Doel, chairman, said cost cutting had included shedding 10 per cent of the Job losses had been heavi-

near 5.000 workforce. est at Sterling and in building products. There were further

Brunning makes £1.5m placing

Brunning, the marketing group, plans to raise £1.45m from a placing of shares to eradicate its debt and provide working capital.

The company, which proposes to change its name to Birkdale Group, amounced a reduction in pre-tax losses

reduction in pre-tax losses n £1.19m to £610,060 ro the six months to Septem 30. There is no interim divi-

Brunning is issuing 5.75m new shares at 28p apiece. The shares have been conditionally placed with some existing shareholders and new inves-The proceeds of the placing

combined with the £800,000 Brunning expects to raise from a property sale, will wipe out its debt of £1.75m. All the operating companies were profitable in the first half, apart from Lewis Broad-bent, the London advertising

Midlands Radio drops by £0.5m

agency.

Midlands Radio, which came to the stock market in Febru-ary, suffered a fall in pre-tax rofits from £2.11m to £1.65m in the year to September 30. This was in spite of a rise in interim profits from £905,000 to £981,000.

Turnover was slightly up at 210.71m (£10.64m) in spite of the "difficult trading conditions in the high streets of the Midlands cities in which we operate", the company said.

However national revenue
had been disappointing, falling by 7.7 per cent on last

Earnings were down at 7.95p (9.89p) per share and the final dividend is a recommended 2p for a maintained total of 4.5p.

MTM appoints US chief

By Clare Pearson MTM, the specialist chemicals

group, has appointed Mr James Friederichsen to take charge of its expanding US operations. He replaces Mr David Fyfe, group managing director, who is resigning from the company.

Mr Friederichsen is rejoining MTM from Staley, US subsidiary of Tate & Lyle, the

sweetchers group. He was pre-viously MTM's commercial In October MTM substan-

tially expanded its US side with the £59m acquisition of the Hardwick Chemical Company, financed by a two-forthree rights issue. MTM is not appointing a

and property.

losses to come.

The power division, which includes the Deritend castings subsidiaries, saw profit slip to \$1.2m (\$1.5m). While anxiety continues to mount about the automotive and electrical engineering activities, the power divi-sion's order book is strong Mr Doel said benefits of investment and rationalisa-tion would show through in and significant profits remain to be taken from commercial the second half.
Building products also held steady at £1.2m in difficult building.

Contributions should also appear from Canada and Sterling. Assuming the management continues to be tough on costs (for all its ideologically sound themes), this adds up to a second-half improvement from core businesses. The big imponderable is the

timing of property profits. If £1m comes through, a pre-tax profit of £10m is fore-cast compared with £12.2m last year. While this seems a bit optimistic and gives a cheap-sounding prospective multiple of less than six, on a closing price of 93p, the mod-ernised group is well posi-

The near halving of Triplex Lloyd's share price between February and November reflected the gathering gloom about the UK sectors that pro-vided most of its profits last year: automotive, building tioned for any upturn. A prospective yield of 10 per cent gives further comfort.

DIVIE	ENDS	ANNO	UNCE	D	
	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Braithwalteint	1.4	Feb 22	1.4	-	6.9
CH industrialsint		Feb 15	.1.2	, .	5.025
Faupel Trading §int	1.85	Jan 31	1.85		4.9
F&C Smallerint		Jan 4	0.45		1.5
Gold Greenleesint		Apr 6	3.3	-	8.3
Jones & Shipmanint		Jan 25	1.5	-	6☆
Midlands Radiofin	ż	Feb 18	-	4.5	-
NFCfin	1.6	Apr 8	1.15	5.65	4.05
Tinsley Robornt		Jan 31	0.75	-	2.1
Thornton (GW) §fin	2.75	Mar 4	2.75	4.75	4.75
Triplex Lloydint	2.5	Feb 18	2.5	_	7
Yorkshire TVfin		Mar 22	8	12	11.3
Wessex Waterint	6.1	Mar 4	_	-	10.4
WestpoolInt	0.35		0.35	-	22

Dividends shown pence per share net except where otherwise stated. Equivalent after allowing for scrip issue, fOn capital increased by rights and/or acquisition issues. §USM stock. For 15 months. success and growth of Reu-ters" since he became a direc-

Booker continues Fitch disposals

By Clay Harris, Consumer Industries Editor

BOOKER yesterday continued BOOKER yesternay continued its piecemeal disposals from Fitch Lovell, the smaller food group it bought in September, with the sale of WL Miller and Sons and Robirch, makers of meat pies, sausages and other savoury products, for £26.5m

The purchaser was Kerry Group, an Irish company which has UK sales of about 2.170m in poultry, meat and dairy products, and food ingre-dients. Its shares are traded on

the USM.
On Friday, Booker sold Justical, Britain's largest manufacturer of frozen pastry, to Grand Metropolitan for £46.5m. Booker paid £290m in cash and shares for Fitch, which also brought about £25m of debt into the

group. Booker wanted Fitch primarily for its catering satvices unitand, to a lesser degree, for fish processing and distribu-tion of chilled and frozen fish products. Mr Jonathan Taylor, chief executive, said the divestment programme was

"on track".
Miller and Robirch together
made pre-tax profits of £3.15m
on sales of £72.5m in the year to April 29. Net tangfile assets totalled £12.4m, excluding sub-sequent "substantial" capital investment at Robirch's Bor-

ton-on-Trent plant.
Kerry said it planned to retain both that facility and Miller's factory at Poole. The Irish company already has five manufacturing sites in Britain.

Murdoch quits board post at Reuters By Maggie Urry

Mr Rupert Murdoch, chief executive of News Corpora-tion, the international media group which is struggling to complete a A\$7bn (£3.6bn) refinancing package needed to avoid a liquidity crisis, has resigned as a non-executive director of Reuters, the finan-cial information and news

He said he was resigning "due to the pressure of other business commitments".

Last month it was amounced that News Corpora tion had cut its stake in Reuters from 4.4 per cent to 1.9 11. Im shares since August.
Sir Christopher Hogg, chairman of Reuters, said that Mr
Murdoch had "made an outstanding contribution to the

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Alberta Maria Maria

tor in 1979.

incement appears as a matter of record only.



Empire Stores Group pic

£55,000,000 Committed Facilities

Arranger

BARCLAYS SYNDICATIONS

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Barclays de Zoete Wedd Limited

UK COMPANY NEWS

IMI, the international ham Mint until the bid is

IMI raises bid for B'ham

Mint and buys in market

approved by the Office of Fair Trading. It is believed IMI

could have bought more than 30 per cent in the market yes-terday had it been allowed to:

A further 4.75 per cent of the target's equity had been committed to the offer by yester-

day afternoon.
The OFT is expected to pub-

National Power

National Power PLC

£1,500,000,000 **Revolving Credit Facility**

Deutsche Bank Aktiengesellschaft London Branch Westdeutsche Landesbank Girozentrale London Branch Commerzbank Aktiengesellschaft London Branch Crédit Lyonnais

NMB Postbank Groep NV London Branch National Westminster Bank PLC

Standard Chartered Bank The Sumitorno Trust & Banking Co., Ltd.

The Toronto-Dominion Bank Amsterdam-Rotterdam Bank NV. Bayerische Landesbank Girozentrale London Branch Citibank, N.A.

Chemical Bank Den Danske Bank
The Mitsui Trust and Banking Company, Limited National Australia Bank Den Danske Bank

Morgan Guaranty Trust Company of New York

The Royal Bank Of Scotland pic The Yasuda Trust and Banking Company, Limited

Banque Nationale de Paris London Branch
BfG: Bank London Branch
BfG: Bank London Branch
Banque Bruxelles Lambert S.A. London Branch
The Mitsui Taiyo Kobe Bank, Limited The National Commercial Bank London Branch
Nomura Bank International pic Raiffeisen Zentralbank Österreich Aktiengesellschaft London Branch Riyad Bank London Branch Swiss Volksbank

Ak International Bank Ltd. Arab Bank plc London Branch
Banco Espirito Santo e Comercial de Lisboa London Branch
Bangkok Bank Limited London Branch
Bangue Worms London Branch
Baning Brothers & Co., Limited

The Commercial Bank of Korea Ltd London Branch
Girozentrale Vienna, London Branch
Istituto Bancario San Paolo di Torino London Branch
Korea Exchange Bank London Branch
National Bank of Greece S.A. London Branch
Varnaichi Bank (U.K.) Plc

December 1990

BARCLAYS SYNDICATIONS

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The Dai-Ichi Kangyo Bank, Limited The Sumitomo Bank, Limited Union Bank of Switzerland London

Co-Lead Managers
Credit Suisse Société Générale London Branch

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Banque Française du Commerce Exténieur Banque Paribas London
Canadian Imperial Bank of Commerce The Chase Manhattan Bank, N.A.

The Chuo Trust and Banking Company, Limited Credito Italiano International Limited
The Daiwa Bank, Limited Daiwa Europe Bank plc
The Development Bank of Singapore Ltd The Fuji Bank, Limited
The Mitsubishi Bank, Limited The Mitsubishi Trust and Banking Corporation
Northern Bank Limited The Sanwa Bank, Limited
The Toyo Trust and Banking Company, Limited
Singer & Friedlander Ltd.

Ak International Bank Ltd. Arab Bank plc London Branch

Manufacturers Hanover Limited

Lazard Brothers & Co., Limited

Braithwaite down 23% to £2m at six months

executive, said the exception-ally good first half of 1989 was

ally good first half of 1989 was always going to be difficult to follow. The figures were also distorted by the inclusion of £0.6m of trading profit in the comparable 1989 figures from a subsidiary which was subsequently sold.

Earnings per share were 6.8p compared to 9.6p but the board proposed to maintain its interim dividend at 1.4p.

Sales were £2.1m lower at £31m but the comparation was

231m but the comparson was again distorted by the 24.7m of turnover from the disposed

subsidiary.

Andrews Sykes, the group's main subsidiary, enjoyed a 6 per cent increase in turnover with hire revenues up 15 per

cent. However pump hire, where Braithwaite's margins

are high, was hit by the down-turn in construction activity

and equipment sales were lower as companies curtailed capital purchases.

The integration of the two subsidiaries Andrews and

Sykes continued with the clo-sure of 6 depots and the open-

ing of three larger ones in an

attempt to cut operating costs. A relaunch of Centahire, the

hire division, failed to stem

Moorgate Investment Trust's

gross revenue for the half year to November 30 was £1.29m

compared with £1.15m. Revenue before tax amounted to £1.18m (£1.05m) and earnings

per share to 3.099 (2.76p adjusted). The directors have declared an interim dividend of 1.7p (1.6p adjusted).

Moorgate Inv

By Richard Gouriev

"more apparent than real" and added that the interim results BRAITHWAITE, the industrial were below expectations. The profit included £550,000 excepservices company, has amounced pre-tax profits 23 per cent lower at £2m in the six months to September as a slump in construction and the tional from the sale of the group's head office building. Birmingham Mint said it would be writing to shareholdeconomic slowdown hit earnings.
Mr Andrew Fitton, the chief

The OFT is expected to publish its decision on the proposed takeover before Monday.

IMI, which is part of a three-company minting consortium with the Royal Mint and Birmingham Mint, launched its original offer at the end of October Two weeks are in its ers shortly to explain "why acceptance of this paltry offer would not be in their best IMI said the offer would not IMI said the offer would not be increased or revised unless a counter-bid emerged, and would stay open for 14 days after posting of the new offer document, which is likely to be published this week. However, because the offer period will-straddle the Christmas and New Year holidays, IMI is reserving the right to extend the bid.

losses of £599,000 in the first half of 1989-90 to an interim

profit of £1.8m before tax was

yesterday condemned as irre-sponsible. The predator is unable to
increase its stake in Birmingham Mint's recovery from

October. Two weeks ago, in its defence document, Birming-ham Mint forecast an 18 per cent increase in its full-year dividend, a policy which IMI

CH's fall to £0.33m hits shares

By Andrew Bolger

CH INDUSTRIALS, the diversified holding group with divisions in transport, vehicle body engineering and office and household products, saw its share price fall by 30 per cent after it announced a collapse in profits for the six months to September 29.

Pre-tax profits fell from £7.32m to £334,000, although group turnover rose by 4 per cent to £121.49m. The interim dividend was reduced from 1.2p to 0.3p with losses per share working through at 0.950 (earn-

IMI, the international engineering group, yesterday raised its lostile bid for Birmingham Mint from £122m to £13.6m and bought 29.9 per cent of the Midlands company's shares in the market at the increased offer price.

However, Birmingham Mint continued to resist the bid, which it said represented "a miserable price for a company with proven recovery potential

miserable price for a company with proven recovery potential and excellent growth prospects". The engineering and electronics group advised shareholders to take no action. IMI has raised its cash bid from 85p to 95p per ordinary share. The preference share offer is unchanged at 80p. Birmingham Mint's shares rose from 85p to 94p, compared with 60p before the offer was launched.

working through at 0.95p (earnings 5.94p).
The shares closed 7p lower at 16p.
CH blamed a significant downturn in its office and household products divisions a

lower contribution from auto-motive, mass transit and prop-erty activities, and a rise in finance charges resulting from increased borrowings and higher interest rates. Mr Tim Hearley, executive chairman said: "With recess-ionary pressures continuing to

be evident, there is no doubt that the trading outlook for for the second six months will

remain difficult."

Mr Hearley said further disposals of non-core operations were planned to reduce borrowings by the year-end, when the re-orientation of the group was expected to be largely

An extraordinary credit of £1.68m represented the £4.47m profit on the disposal of CH's building chemicals division, the loss of £2.36m on the group's disposal of its 23 per cent stake in Manganese Bronze, the London taxi cab manufacturer, and closure costs of £426,000. The office and household

products division incurred a loss of £95,000, compared with an operating profit of £2.23m last year. Trading conditions continued to be difficult within the flooring accessory markets. Within office furniture and components, weakening demand had reduced profitabil-

CH said its automotive and mass transit division increased turnover but produced lower profits. Good results were achieved by automotive sun-roof activities and design and engineering.

However, this was more than offset by losses from the furni-ture foam division of Cherifoam; production problems affecting the manufacture of rolled metal sections; and poor trading within the train win-dow business of Bewclat Engineering. The assets of Cheri-foam and the business of Bewclat Engineering were sold in October, and the rolled metal section operation was being reorganic sold.

being reorganised.

Mr Hearley said financial gearing was still about 100 per cent, but was planned to fall further. Total borrowings increased during the period, principally because of high capital expenditure, but this would be significantly lower in the second half.

NEWS DIGEST

would sell its construction

and final offer of 300p per share closes on Friday. Last week Foseco said it Rarnings per share were 1.7p (3.2p) and the interim dividend is cut to 1p (1.5p).

ings emerged at 1.09p (1.45p) and the interim is a sameagain 0.75p.

from £1.42m to £1.35m for the year to end-September. Turnover was unchanged at

Earnings amounted to 13p

A final dividend of 2.75p is proposed for a same again 4.75p total. A special dividend of 33.75p was announced in September for payment in Feb-

Profits of Quiligotti, a USM-quoted manufacturer of terrazzo floor tiles, slipped from £1.21m to £1.08m pre-tax for the six months to end-September. Turnover rose by £2.22m to £12.83m.

Directors considered the result satisfactory after taking account of start-up costs asso-ciated with the US manufacturing operation and expansion of Irish activities.

Earnings emerged at 2.41p (2.72p) per share and the interim dividend is a sameagain 0.76p.

Hilclare

Hilclare, the security and light-ing product group, is to join the list of companies migrating from the soon-to-be-abolished Third Market onto the USM. The Manchester-based com-pany expects that USM deal-

December 20. The introduction is to be sponsored by Charlton Seal, a division of Wise Speke.

In the year to March 31, Hilclare reported pre-tax profits of £322,000 - up 22 per cent - on turnover of £2.76m.

ings in its shares will begin on

The company's products include xenon warning bea-cons, floodlighting and sophisticated security control panels. It began trading in July 1982.

Mosaic Invs

(£778,000) contributing the major proportion; consumer products and services put in £1.6m (£1.08m). The interim dividend is raised to 8.5p, pay-able from earnings of 14.05p (11.61p) per 10p share.

tax profits for the half year to October 31. Sales slipped from 522.71m to 519.74m. Earnings totalled 0.56p (1.42p). The interim dividend is

unchanged at 0.24p. An extraordinary profit of £2.23m reflected the sale earlier this year of the bright bar division. This announcement appears as a matter of record only.



has acquired

Hardwicke Chemical Company

from

Ethyl Corporation

The undersigned initiated this transaction, assisted in negotiations and acted as financial advisor to MTM Plc.

The Chase Manhattan Bank, N.A.

November 1990



Booker continues Fitch disposals

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Reuters By Maggie Urry Mr Rejertt Martack & executive of Sections Mart. the unfermation of grenge which is tregger? BORGER & WATERPER Bereit a laufili me servered on a Billian Afternoon of Health with and the matter of the

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ATTOMS

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lifts stake in Foseco BURMAH CASTROL, the hubricants, fuels and chemicals group yesterday raised to 29.8

Burmah

per cent its stake in Foseco, the speciality chemicals and abrasives producer, for which it has bid £259m, writes Andrew Bolger. Burmah's purchase of shares - comprising a 6 per cent stake in the market yesterday - lifts its holding to the limit it can hold before its increased

chemicals division in a final attempt to persuade shareholders not to accept Burmah's Foseco's share price yester-day closed 2p down at 294p.

Jones & Shipman

Jones & Shimman, the machine tool manufacturer, reported taxable profits for the six months to September 30 of 2400,000, against £645,000. The result was achieved on turn-over higher at £11.95m, com-pared with £11.12m.

redundancy costs this time of £81,000 (nil), a £71,000 (nil) share of loss of a related company and higher net interest payable of £187,000 (£45,000).

Tinsley Robor

The result was affected by

£431,000 pre-tax for the six months to end-September. Turnover fell to £11.85m (£14.2m) reflecting closure of the machinery division. Earn-

GW Thornton

Tinsley Robor, the printer and packager and dealer in print-ing machinery, experienced a profits downturn of £194,000 to

Taxable profits of GW Thorn-ton Holdings, a USM-quoted manufacturer of precision forg-

IMING HIGHER

INTERIM RESULTS for the six months to 30 September 1990 TURNOVER £83.5m PROFIT BEFORE TAX **EARNINGS PER SHARE** 32.0p

6.1p

DIVIDEND PER SHARE

6Wessex Water's first full year in the private sector has started well. But we are aiming higher. Higher standards of service to customers, higher returns to shareholders, higher levels of efficiency and higher commitment to protect the environment.9

Nicholas Hood Chairman

Wessex Water Plc, Wessex House, Passage Street, Bristol BS2 0JQ

Mosaic Investments, the indus-trial holding company, increased pre-tax profit by 76 per cent from £1.91m to £3.35m in the six months to October 31. Turnover tose 65 per cent to

Operating profits were up 93 per cent to £3.59m with indus-trial products at £1.99m

Brasway, the Midlands-based engineer, experienced a fall from £1.6m to £650,000 in pre-

BANCO DE LA REPUBLICA ORIENTAL **DEL URUGUAY**

and

CORPORACION NACIONAL PARA EL DESARROLLO

have sold 99.98% of the shares of



CHEMICAL BANKING CORPORATION **CREDIT SUISSE DEUTSCH - SÜDAMERIKANISCHE BANK** SAN LUIS FINANCIAL & INVESTMENT CO.

Banco General de Negocios

October 1990

JAPAN LEASING CORPORATION US\$ 50,000,000 Guaranteed Floating Rate Notes

due 1995

In accordance with the provisions of the Notes, notice is hereby given as follows:

- ' interest period : 18th December, 1990 to
- 18th June, 1991
- Interest payment date: 18th June, 1991 Interest rate: 7.9875 % per annum
- Coupon amount : US\$ 20,190.63

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ECU 85,000,000 Skopbank

Floating Rate Notes due 1992 Notice is hereby given that in respect of the Interest Period from December 19, 1990 to March 19, 1991 the Notes will carry an interest Rate of 10.33625% per arinum. The coupon amount payable on March 19, 1991 will be ECU 25,840.83 per ECU1,000,000 Note.

By: The Chass Machatian Back, R.A.
Louden, Fiscal Agent December 19, 1990

U.S. \$50,000,000

9.8%

BANCO NACIONAL DE COMERCIO EXTERIOR, S.N.C.

1990/1995



Litsubishi Corporation

The Stanuford Company Ecoban Finance Limited

U.S. \$50,000,000

9.8%

BANCO NACIONAL DE COMERCIO EXTERIOR, S.N.C.



Marubeni Corporation

U.S. \$50,000,000

9.8%

1990/1995

BANCO NACIONAL DE COMERCIO EXTERIOR, S.N.C.



C. Itoh & Co., Ltd.

Ecoban Finance Limited The Stamford Company

U.S. \$50,000,000 9.8% 1990/1995 BANCO NACIONAL DE COMERCIO EXTERIOR, S.N.C.



The Stamford Company

UK COMPANY NEWS

Advertising recession cuts GGT to £2.24m

By Alice Rawsthorn

GOLD GREENLES TROTT became the latest casualty of the advertising recession when it announced a fall in pre-tax profits from £3.5m to £2.24m on turnover up from £69.5m to £113.1m for the six months to

Mr Mike Greenless, chairman, said the group's below-the line companies had continued to perform well, but its advertising agencies had been hit by the downturn in the UK ad industry. GGT also encountered problems in the US where Babbit & Reiman, one of its agencies, performed

Earnings per share fell to 8.62p (14.84p). However the board has decided to maintain the interim dividend at 3.3p and Mr Greenlees said he was confident of maintaining the final dividend too.

The reduction in profits from advertising offset a strong performance from GGT's below-the-line consul-

Lloyds Chemists suffers a sharp rise in payroll costs

By David Owen

LLOYDS CHEMISTS, the UK's he added. second largest retail chemist The con and drugstore chain, which has salaries by acquired a reputation for lean and careful management, suf-fered a sharp increase in pay-roll costs in its most recent

The group's wage bill rose by 30.8 per cent in the year to June 30, although the increase in the average number of persons employed including the full-time
equivalent of part-time employees - was only 14.1 per cent,
according to the company's
recently-published audited

Warwickshire-based Lloyds, which has expanded rapidly in a recession-resistant sector, attributed the differential to a change in the method of calculating full-time equiva-"In 1989 we assumed that a part-timer was half of a full-timer," said Mr Allen Lloyd,

chairman and chief executive. "Since then it was calculated that a part-timer was two fifths of a full-timer. The way we do it now is very accurate: part-timers normally do 15 hours,"

The company's wages and salaries bill for 1980 totalled £22.11m, with an average of 3,516 people employed. Corre-sponding year-earlier figures were £16.9m and 3,082 respec-

tively.

Mr Lloyd's pay increased by 37.2 per cent to £145,659 in the period under review. He said that the previous payment of some staff at below industry-prescribed minimums had "no bearing whatsoever" on the increased waste bill.

bearing whatsoever on the increased wage bill.

Rariler this year, the group admitted that it had paid 23 staff at less than the minimum rate laid down by the Joint Industrial Council for Retail Pharmacy (JIC) for a period of some two years ending March 31 1989, and said that arrangements to make ex aratia payments to make er gratic pay-ments were in hand.

Lloyds said that 65 per cent of its full time shop assistants were paid substantially more than the JIC minimum.

The accounts also show that the previously-announced revaluation of chemist store licences has added £10.11m - or some £29,000 per outlet - to the company's tangible fixed

Mr Malcolm Robertson, of valuers and surveyors Elliott valuers and surveyors and the Son & Boyton, explained that the firm had provided valuations of Lloyds branches both for their existing use as licenced chemists and for any

other use.
"Lloyds has inferred from
the two valuations that a value
of £10.1m can be attributed to

the heences," he said.
One of the effects of the revaluation was to cut yearrevatuation was to cut year-end gearing to 86 per cent. Without it, gearing would have stood at 174 per cent. In October, Lloyds reported a 33 per cent advance to £13.6in in appual pre-tay profits on

in annual pre-tax profits on turnover abead 21 per cent at

£179.9m. In May, it bought Cross & Herbert, the seventh largest chain, for \$23.2m, adding a further 74 outlets to its portfolio. The licence value of these premises has not been revalued, the accounts state, "as the directors consider it appropriate for these premises to trade under the ownership of the group for a period of time."

NEWS DIGEST

Wholesaling side sold by **Devenish**

JA DEVENISH, the West Country brewer, is to sell its Canonbury and Seligman drinks wholesaling businesses for £15m to Free Traders, a company run by Mr David Fisher, former marketing director of Dee Corporation, writes

Philip Rawstorne. In the year to September 30, Canonbury and Seligman reported pre-tax profits of £1.28m on turnover of £27.8m. The value of fixed assets and stocks at the end of period amounted to £8.5m.

Devenish will subscribe

\$4.5m for a 30 per cent stake in Oval (667) the holding com-pany of Free Traders. Swiss Bank Corporation will subscribe £3m for a 19.9 per cent stake. Devenish will also make available a secured loan of up to £1.75m to Free Traders.

Graig Shipping

Graig Shipping, the Cardiff-based group which also has interests in oil and gas exploration, reported a drop from £1.64m to £665,762 in pre-tax profits for the half year to Sep-

Turnover was lower at £15.09m (£17.37m). Earnings per share fell to 4.3p (10.6p) and to 1p.

Fleming Claverhouse

Fleming Claverhouse has launched the first debenture issue by an investment trust since November 1989. Investment trusts, unlike

unit trusts, have the ability to "gear up" by borrowing to invest in shares. This allows their assets per share to grow faster when stock markets are rising but also creates the pos-sibility that the assets per share will fall more quickly when markets are falling.

The £5m issue is repayable in 2008 and carries a coupon of 11 per cent. The gross redemp-tion yield, at the issue price of 293.893 is 11.826 per cent.

Bodycote Intl Bodycote International, the

metal technology, packaging and textiles group, has sold its Skelmersdale subsidiary for £11.83m as part of its drive to re-deploy its resources in the expansion of its metal technology division.

Skelmersdale, a corrugated sheetboard manufacturer which was acquired by Bodycote for £4.9m in January 1987, formed a substantial part of the company's packaging divi-

The buyer is Bux Corrugated Containers, a subsidiary of Danisco, the Danish packaging company, which is paying Bod-ycote £6.83m cash. Bodycote also received a division of the control of the contro also received a dividend of a further 95m.

Harcourt Harcourt Group, a distributor of cookware, foil containers

EUROPEAN AMERICAN BANCORP of New York U.S.A.) US\$75,000,000

Guaranteed Floating Rate

Notes Due 1993

accordance with the terms and con-ons of the Notes, notice is hereby given that for the six month interest period from (and including) 19th December, 1990 to (but excluding) 19th June, 1991, the Notes will carry a rate o rest of ?15/ns per cent, per amoun The relevant Inte be 19th June, 1991. The coupon amount per US\$5,000 Note will be US\$200,64

No: 14 Hambros Bank Limited

and rigid foam products, recorded a £192,000 loss during the six months to September

The company, formerly known as Thorpac, had warned in August that it might fall into the red. The corresponding pre-tax profit last time was £1.78m.

Turnover declined marginally to £15.09m (£16.08m). The loss per share was 1p, against earnings of 2.9p. No interim dividend (0.6p)

was declared. The group said that it did not now expect to be profitable in the second half.

CRT Group

CRT Group, the training, recruitment and consultancy company, has agreed to pay £2.2m for Pitman Training Group, which offers training in secretarial and office skills, English and computers.

The acquisition of Pitman, which employs 153 full-time and 58 part-time staff, continues CRT's transformation of R Smallshaw (Knitwear), the textile manufacturer and dyer into which it reversed last

McInerney Props

McInerney Properties, the Dub-lin-based building and property development company, is with-drawing from commercial property development in an effort to stem losses and cut IE50m and IE60m (£46m-£56m). compared with 145p a year ear-circuit boards.

nence on 24th December, 1990.

McInerney is involved in eight large-scale property developments in the UK. Under group proposals creditor banks will take over the UK proper-ties, reducing debts by 1520m.

Vista Entertain

Taxable losses at Vista Enter-tainments, the Third Marketquoted club operator, increased from £245,000 to £575,000 in the

six months to end-September.

The company has exchanged contracts for the sale of Manchester Theatres to Apollo Leisure (UK) for £3.85m; Apollo will also assume about £2.1m of medium-term debt.
The loss per share was 0.6p

Booth Industries

Booth Industries, which is engaged in structural steel-work and engineering, increased profits from £352,000 to £376,000 pre-tax for the six months to September 30. Turnover of £15m compared with

Earnings rose to 6.12p (5.72p) and the interim dividend is maintained at 0.7p.

Melville Street Melville Street Investments, a development capital company, increased revenue before tax

from £512,00 to £559,000 in the six months to October 31. Net asset value per share Earnings per share were 2.24p (2.06p). The interim dividend is raised from 1p to 1.5p.

Danbury Group

Like many property compa-nies, Danbury Group has suf-fered through the necessity to write down the carrying value of its properties to reflect the current depressed state of the

market Taking the £1.94m (£600,000) write-down as an exceptional debit drove this USM-quoted company into pre-tax losses of \$2.29m (profits £470,000) in the six months to September 30. Turnover was down at £2.64m (£3.46m) and the loss

per share came to 22.5p (samings 4.08p).

Circaprint Circaprint Holdings, which ran up a loss of £886,000 for the opening half of the 1989-90 year, finished the 12 months to end-August £2.47m in the red,

before exceptional items. The loss, which compared with previous profits of £510,000, was struck from turnover £1.39m lower at £12.83m. The dividend for the year is

omitted (2.4p). Exceptional provisions of £337,000 were offset by a tax credit of £407,000 (£190,000). Losses per share emerged at 45.6p (earnings 13.3p). There was an extraordinary debit of effort to stem losses and cut which stood at 160p at April 30, £542,000. The USM-quoted debts estimated at between had fallen to 147p at October 31 group manufactures printed

This advertisement is issued in compliance with the Council of The Stock Exchange and does not constitute an offer or invitation for any person to subscribe for or purchase securities.

Application is being made to the Council of The Stock Exchange for the grant of permission to deal in the Ordinary Shares of Tomorrows Leisure PLC in the Unlisted Securities Market. It is emphasised that no application will be made for these shares to be admitted to the Official List. It is expected that dealings in the Ordinary Shares will



TOMORROWS LEISURE PLC (Incorporated in England and Wales under the Companies Act 1985, No. 1960179)

Introduction

bv Guidehouse Securities Limited

£5,200,000

SHARE CAPITAL

Issued and fully paid

The principal activities of Tomorrows Leisure PLC and its subsidiaries are the ownership and management of hotel and leisure facilities in the United Kingdom Full particulars of the Company are available and copies may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 2nd january, 1991 from:

Ordinary Shares of 20p each

Guidehouse Securities Limited, Durrant House, 8-13 Chiswell Street, London EC1Y 4UP and during normal business hours on 19th and 20th December, 1990 (for collection only) from the Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A IDD.

London Otfice: Greencoat House Francis Street

Landon; SW1P 1DH

NOTICE TO HOLDERS OF Bearer Warrants (the "Warrants") to subscribe up to ¥18,291,000,000 for Shares of Common Stock of KANEMATSU CORPORATION

(the "Company") Issued in conjunction with US\$130,000,000 4% per cent. Bonds Due 1983

Notice is hereby given, pursuant to Clauses 3(i) and (4) of the instrument relating to the Warrants dated 20th July, 1939, that on 10th December, 1990, the Board of Directors of Kanematsu Corporation resolved to make a free distribution of sharer of its common stock to its shareholders of record at 2500 om hours (Japan time) on 31st December, 1990, at the rate of 0.05 share for each one share betd. lingly, the Subscription Price of the

1. Subscription Price before such 4850.40 per share of common stock. 2. Subscription Price after such ustment: ¥809.90 per share of common stock. 3. Effective date: 1st January, 1991 Japan time)

KANEMATSU CORPORATION

By: The Bank of Tokyo Trust Company as Disbursement Age Dated: 19th December, 1990

GOLD FIELDS COAL LIMITED

(Incorporated in the Republic of South Africa) (Registration No. 01/01124/06)

DECLARATION OF DIVIDEND Final dividend No. 156 of 50 cents per share has today been declared in South African currency payable to shareholders regissered in the books of the company at the close of business on 28 December 1990.

Werrants payable on 6 February 1991 will be posted to shareholders on or about Standard conditions relating to the payment of dividends are obtain attains transfer offices and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or below 28 December 1990 in accordance with the above-mentioned conditions. The register of mambers of the company will be closed from 29 December 1990

By order of the Board,
per pro GOLD FIELDS CORPORATE SERVICES UNITED S.J. Dunning, Secret nited Kingdom Registrar Berclays Registrars Limited Bourne House

34 Beckerhern Road Beckenham, Kant, BRS 410 A Member of the Gold Fields Group



FINANCIAL TIMES WEDNESDAY DECEMBER 19 1990 The Gulf. Where will you find the best intelligence every day? ्रेन्ड क्षेत्रे क्षेत्रेच स्टेंड Planting of the Frederick No FT...no comment.

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Danbury Group

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consumer stocks dwindle

Driven by nickel-cadmium

battery demand, the cadmium price bolted from below \$2 a ib

to touch \$12 during 1988 and

persuaded the principal con-

sumers in Japan to build stra-

The steep price drop this year — cadmium averaged \$7.03 a lb in 1988 and \$6.13 in

1989 - seems to have been

partly caused by consumers

living off those stocks. How-ever, that de-stocking process has now come to an end and

Mr Murray Cook, director of the Cadmium Association,

suggested yesterday: "A true pattern of consumption is now

beginning to emerge".
He said that at the association's meeting last week it was widely felt that the fall in demand for cadmium caused

by substitution of other les

toxic materials in traditional

By Kenneth Gooding, Mining Correspondent

CADMIUM's price virtually tripled in three trading days as producers and consumers meeting in Rome last week concluded that the outlook for the metal was much healthier than predicted as recently as

The free market price of cadmium soared from US\$1.15 a lb to \$3 and Mr Nick French of Wogen Resources, the Londonbased trading group, suggests that this jump is probably unprecedented, even in the very volatile world of minor

Cadmium, produced entirely as a by-product of zinc mining, is highly toxic and environmental pressures cut sales sub-stantially before demand for nickel-cadmium batteries took off. These now account for about two-thirds of total cadmium consumption.

Nickel-cadmium rechargeable batteries are used in vari-ous portable electrical gadgets such as video cameras, computers, telephones and so on.

MINOR METALS PRICES

Prices from Metal Bulletin (last veek's in brackets). ANTIMONY: European free market 99.6 per cent, \$ per tonne, in warehouse, 1,630-1,670

BISMUTH: European free market, min. 99.99 per cent, 3 per lb, tonne lots in warehouse, 2.75-2.90 (same). CADMIUM: European free

market, min. 99.5 per cent, \$ per lb, in warehouse, 3.00-8.20

uses - such as plating, pig-ments and stabilisers - had more or less come to an end. Proposed legislation in the estern world looked likely to

MERCURY: European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse, 155-165 (same). MOLYBDENUM: European

free market, drummed molyb-dic oxide, \$ per lb Mo, in warehouse, 2.55-2.65 (2.52-2.60). SELENIUM: European free

exempt from restrictions any end-uses for cadmium where no suitable substitutes could be found, for example the use of cadmium coatings on com-ponents used in the aerospace

and defence industries.

Mr Cook said that, while production in Japan and North
America was falling this year,
possibly by more than 10 per cent, consumption continued to be buoyed by battery production. Output of nickel-cadmium batteries in Japan – which accounts for about 75 per cent of the world market was up by 10 per cent in the first eight months of 1990.

The association predicted that Japanese nickel-cadmium battery production would exceed 550m ampere hours this year against under 510m ampere hours in 1989. The two biggest producers - Sanyo and Matsushita - between them accounting for more than half the world market, planned to boost capacity by at least 20 per cent in 1991.

COBALT: European free market, 99.5 per cent, \$ per lb, in warehouse, 13.00-13.50 (12.30-

market, min 99.5 per cent, \$ per

lb. in warehouse, 4.80-5.40

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO₃, cif, 37-49 (same).

VANADIUM: Ruropean free market, min. 98 per cent, \$ a lb V_2O_5 , cif, 2.35-2.50 (2.25-2.45).

URANIUM: Nuexco exchange value, \$ per lb, U2O2 11.45 (same).

Cadmium prices triple as | Acrid fumes from Chile's iodine industry

Lesley Crawford looks at the actions of a big but antiquated producer under pressure

Southich (Sociedad Quimica Minera de Chile), which is the world's largest lodine producer, can claim only a pyrithic victory after a year's bitter price war against its Japanese rivais

After flooding the market with iodine, Soquimich began an aggressive price cutting campaign to increase its share of world trade. The company says that its annual sales of 4,000 tonnes give it a market share of just over 30 per cent. Yet foreign analysts in Sant-iago believe that Soquimich's real share of the world's traded market is closer to 50 per cent, representing a 10 per cent increase in the past two years, Soquimich's strategy has worked, but at a cost. The price of iodine has plummeted from \$18 a kilo to \$12.5 a kilo; there are now 1,500 tonnes of excess stocks although global excess stocks aithough global consumption rarely exceeds 13,000 tonnes a year. Moreover, Soquimich has had to lay off 1,100 workers, half of its iodine plants lie idle and the price of the company's shares has collapsed on the Santiago Stock Exchange.

However, Soquimich does not appear to be licking its self-inflicted wounds.

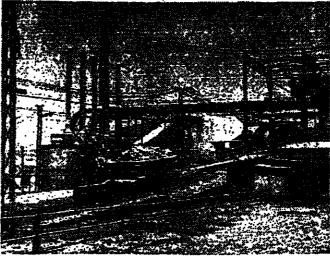
Mr Patricio Contesse, Soquimich's general manager, says that part of the price slashing has been aimed at discouraging new competitors from entering the market. "We have been aggressive in our price cutting because we have the best comparative advantages to produce iodine in the

tages to produce iodine in the world", he says.

When the price reached \$20 a kilo in 1988, several mining companies started looking at lodine projects in Chile. The prospects look less attractive now, although Northern Lily Mining of the US is still planning to go ahead with a \$50m project near the northern port of Taltal.

Only then will Sommitch's

Only then will Soquimich's comparative advantage be put to the test. Northern Lily will



Soquintich: ore being conveyed to a 1930s crushing plant 60 per cent of Soquimich's revenues still come from the sale

of natural nitrates.

Little there has changed in the past 50 years. The rows of

low-terraced houses, little more than shacks, date back to the

days when the British ran the

mining camps. Everything is covered in a thick layer of red

Some 4,500 miners labour in a desert landscape where tem-

earn on average \$150 a month

Less than 100 km away, their colleagues at the Chuquica-

Maria Elena and Pedro de Val-

be investing in the latest tech-nology, while Soquimich is still labouring with 60-year-old plant and machinery.

Having seen the writing on

the wall perhaps, Soquimich has launched a \$238m investment programme to replace machinery and equipment over the next five years and mod-ernise its 100-year-old railway and port facilities. Almost half money will be channelled into research and development and into new product lines, such as ammonium pitrate, boric acid and potassium perchlorate, a chemical used in space missions and solid fuels. The changes will also herald

the changes will also herain the demise of Maria Elena and Pedro de Valdivia — the last two nitrate mining towns in Chila. Over 160 of these camps, or oficinas, datted the Atacama desert at the beginning of the century, when Chile's wealth was based on the export of natural nitrates.

divia are in a state of shock. Soquimich has fired 1,100 The nitrate business was ruined by the invention of artiworkers and has announced plans to close down the towns. Mr Contesse says he can no longer afford to run them, and that the lay-offs reflect leaner ficial fertilisers and Maria Elena and Pedro de Valdivia are the only living relics of this past. The twin towns - 200km times and the company's drive north-east of Antofagasta – have been kept alive because

However, the unions see political motives behind the mass sackings. Mr Julio Ponce Lerou, Soquimich's president, also happens to be Gen Augusto Pinochet's son-in-law, and the management offices at Maria Elena still display photographs of the former military dictator. Mr Francisco Carlete, a union leader at Pedro de Valdi-

ria, says: "Ponce Leron was here just before the December elections and openly threat-ened that if (Patricio) Aylwin won, we would suffer the con-sequences". Mr Aylwin polled 70 per cent of the votes in the district and Mr Canete believes that they are now paying for this act of defiance. Mr Eduardo Bobenrieth,

Soquimich's former general manager, goes further: "The company's directorate is packed with supporters of the former military regime, and the sackings are a deliberate intent to destabilise the new democratic government", he

Mr Canete says that labour relations have reached rock-bottom. He has sent five letters to management asking to discuss the future of the towns and the workforce. All dust and the skin burns from the acid fumes belching from the iodine plants. People are born and die here. Everything revolves around the company. have gone unanswered. He says the unions are not opposed in principle to moving their families to Antologasta, but their wages would have to peratures rise above 40 degrees Celsius during the day and fall below freezing at night. They rise dramatically in compensation. The mining boom in the region has made Antologasta Chile's most expensive city. There is also a serious housing shortage in the region. mata copper mine are paid wages of \$300-\$1,000. The 19,000 inhabitants of

Mr Contesse replies: "The wages will be set by the market the families have become too dependent on the company, although I realise changing the habits of a lifetime can be traumatic". He says the towns will not be shut down immediately, but over a period of five, perhaps 10 years. Labour relations have also

been soured by an acrymonious power struggle for control of the company. When Soquim-

ich was privatised, its workers began to receive shares in lieu of productivity bonuses. They quickly built up a sizeable stake in the company, and in 1985 decided to set up an investment company called Pampa Calichera, using their existing shares as collateral for

lodin**e**

loans to buy more Soquimics

Pampa Calichera soon con-trolled 20 per cent of Sequim-ich. Mr Ponce Leron felt his position in the directorate threatened and earlier this year the company's executives organised a takeover of Pampa Calichera using a front com-pany, known as inversiones

The unions claim that the workers were duped into exchanging their shares in Pampa Calichera for some cash and shares in the management controlled inversiones Org

The legality of the proceedings was never clarified, but the outcome is a cautionary tale of greed, power and the shortcomings of popular capi-

One foreign mining expert in Santiago says: "The workers at Soquimich were the strongest supporters of the company's privatisation: they have now been robbed of their shares and are being fired for the faith they placed in the company. It

Technical hitches again put off Cominco lead smelter's opening

By Bernard Simon in Toronto

THE START-UP of Cominco's trouble-plagued new lead smelter at Trail, British Columbia, has again been delayed. Commissioning of the smelter, which was due to come on stream by next March, has now been postponed indefi-nitely pending the outcome of tests at a plant using the same process - known as QSL - at Stolberg, in Germany.

The tests will take place early next year and be conducted by Lurgi, the German engineering group that supplied QSL smelter technology. The Trail plant, which is one of the world's biggest lead fuelled by natural gas, while the process originally devel-oped by Lurgi is based on pulverised coal. One of the snags has been a high-temperature concentration of gas where it to 85,800 tonnes a year earlier. enters the reactor.

Modifications to the smalter, which include facilities to use coal or coke as well as gas, have been halted until the tests are completed. However, Cominco did say that some engineering work would con-

The smelter was closed down within months of being brought into operation last December. At the time, Cominco said that changes were required to the reactor and drossing plant as well as to slag granulation, boiler and ventilation equipment.
Cominco said that it will

continue to use the old smelter at Trail, which is operating at about 80 per cent of previous capacity levels. Cominco produced only 47,800 tonnes of refined lead in the first nine months of this year, compared The new smelter was due to produce about 140,000 tonne by 1992.

• Samuel Montagu and Sharps Pixley have quit as platinum market makers in London. Consequently, from January Crédit Suisse London will co-chair the twice-daily London platinum and palladium price fixing sessions with Ayrton Metals. There remain another four members of the "fix", conducted over the telephone. They are: Engelhard Metals, Mase Westpac, Swiss Bank Corp and Union Bank of

LINE WARRINGS (As at Monday's tonnes	
Aluminium	+3,100 to 300,050
Соррег	+1.900 to 166,975
Lead	+ 14200 to 55,750
Niciosi	-324 to 2.514
Zinc	-850 to 53,000
Tin	+605 to 19,390

COCOA - London FOX

Indian tea production close to target

INDIAN TEA production to the end of October this year is esti-mated to be 32.4m kilos ahead of the corresponding first 10 months of 1989, in spite of a production setback in the Assam valley, writes Kunal Bose in Calcutta It is now reckoned that India

will finish the current year with a crop of 710m-715m kilos compared to the target of 720m kilos and last year's actual pro-duction of 684.1m kilos. As the winter has set in early in the Assam valley, which accounts for about half of India's tea crop, plucking in the remaining weeks of the season will not be satisfactory,

Assam Frontier group of tea Not only is tea production

down, but the quality of the crop this season is nothing spe-cial. Quality has suffered as garden managers were in no position to enforce discipline in the face of United Liberation Front of Assam terrorism. Production in the Assam val-

ley in the first 10 months at 299.8m kilos is 3.2m kilos less than in the corresponding period of 1989. The rest of north India had up to the end of October produced an additional 19.4m kilos.

Of all the tea growing cen-res in the north, Docars in

316/312 338/322

WORLD COMMODITIES PRICES

inium, 90.7% purity (\$ per tonne

Previous

1617-22 1554-6

Close

Copper, Grade A (2 per tonne)

Cash 1535-7 3 months 1585-70

Cash 1286-8 3 months 1301-2

Leed (2 per tonne)

Cesh 312-4 3 months 326-7

at 105.8m kilos showing an improvement of 11.1m kilos. At 10.8m kilos, Darjeeling has also shown marginal improvement. South India which last year suffered a production setback of 20m kilos at 151.8m kilos has bounced back this year. Com-bined production of tea estates in Tamil Nadu, Kerala and Karnataka through October is 139.9m kilos, up 16.6m kg. A noticeable feature this

year is that ctc tea output, mainly consumed domestically, has risen by 42.9m kg to 480m kilos. Output of exportable orthodox variety has declined by 10.3m kg to 128.9m. Other varieties at 5.8m kilos have according to Mr Dipak Roy, west Bengal has given the best recorded a marginal decline in chief executive officer of the performance with production production of 200,000 kg.

(Prices supplied by Amalgamated Metal Trading)

1565-6

327-0

1222-300

Total daily ternover 2,337 lots

Total daily turnover 961 lots

Total daily turnover 2.671 lots

8075-100 8,514 lots

63,504 Job

113,432 lots

12.202 tota

Brazil cocoa exporters welcome Soviet interest

BAHIAN cocoa prices are getting a boost from the possibility that the USSR will soon return to the Brazilian market as a large purchaser, writes Victoria Griffith in Sao Paolo. The two governments are in negotiations over the export of more than im sacks to the USSR. In return, Brazil would agree to import Soviet products such as chemicals.

The USSR purchased 1,041,000 sacks of the 1989-90 harvest in Brazil before the country's financial crisis May. As last year's Bahian harvest ammounted to 5.4m sacks,

the Soviet presence is critical.
"If the deal is clinched, the impact on cocoa prices could be strong", Mr Luiz Pedrao Rio Branco, president of the Brazilian Association of Cocoa exporters, said. Exporters believe the USSR's departure from the market contributed to falling prices this year. So far, the effect of the USSR's renewed interest has been lim-

ited to the internal market. Mr Rio Branco warned, however, that even a sizeable solve all the difficulties due to the fall in world prices.

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OF SHORE

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MARKET REPORT

trading on the LME after the exchange's early correction of decline to a large rise, traders said. Three-month metal touched a low of £322 a tonne after the LME revised its original report from a 550-tonne decline in stocks to a 14,200-tonne increase. Stocks are now at their highest since January 1989 in the face of a decline in demand, Nickel closed at the day's highs as a short covering rally gathered momentum. London cocoa prices tell sharply in continued heavy technical selling following Monday's steep decline in New

London Markets

SPOT MARKETS

SPUT WARKETS		
Crude off (per barrel FOB)		+ or -
Dubei Bront Blend (dated) Brent Blend (February) W.T.L (1 pm eat)	\$21.65-1.750 \$27.40-7.65 \$25.80-5.90 \$25.35-6.400	475 275
Oil products (NWE prompt delivery per to	onne CIF)	+ 01-
Premium Gasoline Gas Oli Hoavy Fust Oli Naphtra Petroleum Argus Estimates	\$250-253 \$262-264 \$138-140 \$263-285	+0.5 -3.0 +1.0 -1.5
Other		+ 01 -
Cold (per troy oz) Silver (per troy oz) Platinum (per troy oz) Palladium (per troy oz)	\$376.95 396.50c \$413.75 \$88.20	+0.25 +1.50 -2.75 +0.60
Aluminium (free market) Copper (US Producer) Lead (US Producer) Nicioal (free market) Tin (Kuala Lumpur market) Tin (New York) Zinc (US Prime Western)	\$1540 1153 ₈ 0 50c 372c 15.16r 281c 70c	+35 +6 -0.10 -5
Cattle (live weight)† Sheep (dead weight)† Pigs (live weight)†	103.87p 137.43p 73.67p	-5.48° -9.04° +0,90°
London daily sugar (raw) London daily sugar (white) Tate and Lyle export price	\$247.4w \$306.5w £236.0	+1.00 +3.20 +0.50
Barley (English teed) Maize (US No. 3 yellow) Wheat (US Dark Northern)	£112.5 £168.50 £87	
Rubber (Jan)♥ Rubber (Feb)♥ Rubber (KL RSS No 1 Jan)	50.25p 50.30p 238.5m	+0.25 +0.25 -0.50
Coconst oil (Philippines)§ Palm Oil (Maisysian)§ Copra (Philippines)§ Soyabeans (US) Cotten "A" indox Maninest (Eds Sugges)	\$325.0z \$330v \$240.0t £140.5 84.20c	-15.0 -20 +7.50 +0.50 -0.25

e-conts/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. v-Jan. w-Dec/Jan 2-Jan/Feb. x-Mar. †Meat Commission average fabitock prices. " change from a week ago. WLondon physical market. KCIF Roberdam. Buillon market close. m-Malaysian cents/kg.

York. "The charts look very weak, which has attracted a lot of computer-fund selling, and there is a lot of pressure still on New York and London. But it all is technically-based - there doesn't appear to be any new physical cocos which has entered the market," one London trader said. Traders were predicting further falls today in London. "New York has been trying to bounce back but so far the rallies haven't been very convincing. And the longer it takes to recover, the more likely it is to slip down further," another trader said.

Compiled from Reuters

	\$UQAI	- Lond	on FOX	(S per torms	5
	Rew	Cicee	Previous	High/Law	-
+ 07 -	Mar	216.60	218.20	217.80 214.40	•
30	May	218.6D	218.00	219.80 218.60	
- 475	Aug	222.20 222.00	222.40 222.00	223.00 223.00	
275	May	226.00	222.00	223.00	
-19	White	Close	Previous	High/Low	-
					-
+ 01 -	Mar May	302.0 301.0	303.5 302.0	303.6 302.0 302.0	
+0.5					-
-3.9 +1.0		or: Rane 7 125 (271)	24 (1001) K	ds of 60 tennes.	
-1.5	Paris-		er per tom	ne): Mar 1528, Aug	3
+ or -	~24, 1				
+0.25					_
+1.50	CEUDI	I OIL - I	PE	\$/berre	!
-2.75		Late	st Previo	us High/Low	-
+0.60	Feb	25.8	25.67	25.20 25.65	-
+35	Mar	24,7		25.00 24.50	
	Apr	23.8		23.65 23.70	
+6	iPE Ind	25,11	27.58		_
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0.04"		Letest	Previous	High/Low	_
+0,90°	Jan	251.00	253.50	255.00 249.75	-
+1.00	Feb	237.50	240.75	242.50 237.00	
+3.20	Mar	224.00	220.25	226.75 222.00	
+0.50	Apr May	207.00 202.00	209.25 201.00	215.00 207.00 204.00 202.00	
	'jriu	201.00	200.00	203.00 199.00	
	Jul	197.00	195.50	199.50 197.00	
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ned to 684 tonnes, against 290 to previous week. Quiet trading ted, with interest shown in

Dec			LIBINTON	_
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Dec	760	795	789 780	
Mar	806	522	820 803	_
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orice to	r Dec 17	903.38 (915	ASI 10 day aver	208
for Dec	18 921.2	(\$28.53)	,,	
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COFFE	z – Lon	les FOX	£ho	
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May Jul	583 508	598 · 512	594 567 605 600	
Sep	622	829	620 615	
Nov	636		633 630	
Jen	649		649 648	_
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		M-PBC	£/ho	
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	Close	Previous	High/Low	
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Feb Apr	Close 118.00 120.00	Previous 118.50	120.00 118.00 120.00	<u> </u>
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er; Wheat 129 (180), Barley 186 (466).

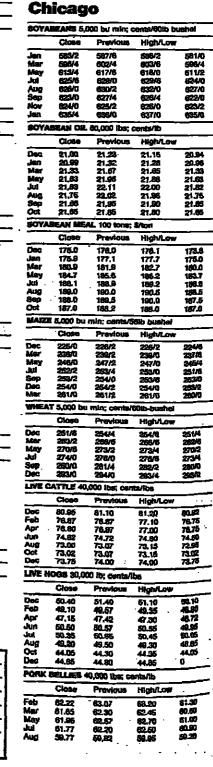
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AUC	389.1	386.5 389.9	390.6 383.6	380.0
Oct		393.3 396.7	363.6 366.7	393.6 396.5
Feb		400.5	0	8
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_	Close	Previous	High/Lo	w
Dec		419.2	409.7	400.7
Jan		410.8 416.4	418.0 418.0	407.5 412.5
JUL L	418.0	420.6	422.0	418.0
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_	Close	Previous	High/Lo	w
Dec	398.0	396.6	395.5	393.0
)en	397.6	397.2	0	0
Feb Mar	402.6	389.6 402.4	397,5 403.0	397.5 399.5
May Jul	405.2 413.5	407.8 413.1	408.5 413.0	404.5
Sep	418.8	418.5	418.5	410.0 417.0
Dec	426.8	428.1 428.1	426.0 0	423.0 0
Mar		434.3	433.5	432.0
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	Close	Previous	High/Lo	w
Dec	117.90	111.85	113.10	110.70
Jan	111,20	111.10	112.60	110.20
Feb Mar	119.19	110.10 108.50	111,20 109,90	109.40 107.40
Apr	107.40	107.50	108.00	107.10
May Jun	105.30 105.20	106.40 105.35	107.30 105.40	106.00 105.30
أنال	104.10	104,40 103,70	104.80	104,30
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_	Latest	Previous	High/Lo	
Jen Feb	27.60 26.65	27.05 28.21	27.65 20.85	26.75 26.06
Mer		24.25	25.85	25.15
May		23.61	24.20	23.50
JUL	28.00 22.47	22.69 22.28	23.00 22.60	22.65 22.25
Aug		21.93	22.30	21.90

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FINANCIAL TIMES SURVEY

THE CHANNEL ISLANDS Wednesday December 19 1990

Offshore financial business can no longer be expected to gravitate so easily towards Jersey and

Guernsey. The growth of specialist centres in the EC means that the Channel Islands may need to redefine their position as 'offshore Europe'. Barry Riley reports

Prosperous but cautious

AMIDST THE continuing prosperity of the Channel Islands there is just a hint of caution about the future. Jersey and Guernsey are becoming aware that offshore financial business will no longer gravitate naturally towards them quite so easily, and that they may need to raise their profiles.

Jersey has appointed exter-

nal public relations consul-tants for the first time. "We haven't really been selling ourselves," says Senator Reg Jeune, president of Jersey's powerful Policy and Resources Committee. "We need to see that the right emphasis is being given."

In Guernsey, Mr Bruce Riley, chairman of the Guernsey Fund Managers' Association, says that the question of external promotion has been discussed by bodies such as the GFMA and the Guernsey International Business Association national Business Association.
"At one level we need to decide whether we should promote a separate indentity from that of Jersey," he says. "But there is also the question of whether the Channel Islands

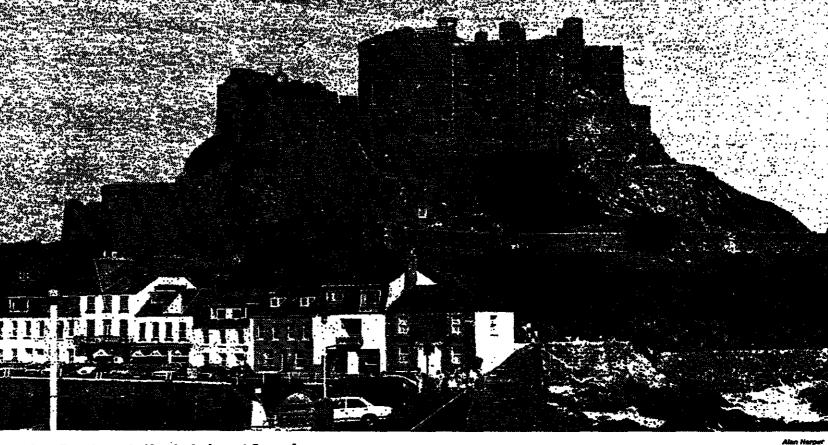
should put forward an image in relation to Europe." It is the growth of specialist European Community financial centres such as Luxem-bourg and Dublin that has served to focus attention on the strengths and weaknesses of the Channel Islands. Any loss of business has only been slight, mainly in the area of collective investment funds, but Jersey and Guernsey are faced with the need to redefine their position slightly as "off-shore Europe".

But if a more serious reces sion lies ahead, at least the Channel Islands are going into it from a position of very con-

with virtually zero unem-ployment, and economic growth still probably running at 4 or 5 per cent until quite recently, the main problem has become the high inflation rate, which has topped 10 per cent this year in each island.

Because the Channel Islands are in monetary union with the UK they have been drawn within the exchange rate mechanism of the European Monetary System (though they are not themselves EC mem-

bers). So if pay rates continue to climb at 10 per cent a year (and actual earnings more rapidly) Jersey and Guernsey will lose competitiveness - in tourism



Mount Orguell castle overlooking the harbour at Gurey, Jersey

ally in financial services. But in tourism, forward bookings for 1991 are excellent in Jersey, and for the moment the economic policy emphasis is still very much on the pre-vention of overheating. Jersey continues to siphon off part of its buoyant tax revenues into a "rainy day" reserve which is expected to reach £160m by the end of 1991 (about £2,000 per

Senator Jeune, retiring president of the Finance and Eco-nomics Committee, has been deluged by £140m of public sector capital spending applica-tions for both 1992 and 1993, but is intending to hold the level somewhere near the £65m sanctioned for 1991.

Jersey's 20 per cent income tax rate is regarded as inflexi-ble. "Therefore if we had any hiccup in the economy I wanted to be sure that we had

a reserve fund." He adds proudly: "We haven't got a penny of debt." But Guernsey's position is

rather less comfortable. Islanders there were shocked last week by a tough annual budget statement, including proposals for steep rises in tobacco and spirits duties and vehicle licence charges. Guernsey has begun to dip into its own rainy day reserve, which anyway is much smaller than Jersey's.

The economic strategy in the Channel Islands is to maintain, possible, a broad balance between the three main legs of the island economies, finance, tourism and agriculture.

In former years attempts were made to attract light industry, but labour is now too facturing to be healthy. Even tourism is dependent on imported labour, mainly from

Portugal, Agriculture's contribution is economically fairly slight, but it remains important for social and environmen-

The difficult part of the bal-ancing act is how to control the tramendous growth of the finance industry, which last year contributed an estimated 42 per cent of Jersey's gross estic product, and 44 per cent of Guernsey's.

An aspect of the budgeting

debate in Guernsey is whether some of the restraints should be taken off the finance industry in an effort to lift tax revenues. But there are strong political objections to the increased immigration and environmental pressures that

would be generated.

The earning power of financial companies is way above anything that can be achieved in other sectors. Jersey's banks

and fund management companies achieved profits of over £50,000 per employee in 1989. The Channel Island governments are encouraging local

financial companies to aim at high value added activities that can generate taxable profits without the need to raise the local labour force. For some time there have been attempts to diversify the offshore finance activities by reducing the traditional emphasis on business deriving from the UK. For example, Jer-sey and Guernsey have dis-couraged their banks and

ple (although Guernsey, at least, has now dropped this prohibition, in the wake of UK tax changes). The growing detachment from the mainland as a source

building societies from adver-tising in mainland newspapers

for tax-free deposits, for exam-

of business could be underlined if the UK government takes its long-expected action

against the use of offshore trusts by UK residents to avoid capital gains tax.
But to the Channel Island communities the fact that more business is flowing from Asia Pacific and from continental Europe (where links with Switzerland are developing fast) is a positive sign. This is fast) is a positive sign. This is especially so bearing in mind the possibility that a less friendly Labour government might be elected in the UK within the next year or so.

Links with the powerful Japanese and German economies

are, however, less strong than the Channel Islands would

The islands insist that they remain open to new business from such selected areas, but at the same time they are turn-

in this survey

Banking: emphasis on quality a captive audience tax law points the way

Offshore funds: sector continues to thrive plans to become a financial centre search for respectabilit

discretion is the better part of value pressures on space Tourism: a more mature market

ing away other kinds of financial companies, especially those that would duplicate existing operations.

Explaining Jersey's contro

resial "zero job growth" policy, which is almed at cutting increases in jobs from 800 a year in the 1980s to nil in 1992, Mr Colin Powell, economic adviser to the States, insists: "Whereas last year there was considerable fear among the financial community about the effect of the restrictive policy, now they find that there is con-siderable flexibility."

But the generally lower level of bureaucratic interference in Guernsey may give it certain advantages if conditions do

become markedly tougher.

Mr Riley, formerly Guernsey's Commercial Relations
Officer, a leading civil service post, remarks that 10 years ago the island's star bank was Manufacturers Hanover, which has markedly reduced the scale of its activities, and the star non-bank was Tektronix, a USowned manufacturing business which finally closed earlier this year. "Government attempts to pick winners are frought with difficulty," he says. "If civil servants start interfering you are on a slip-pery slope."

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TALKING TO BARCLAYS OFFSHORE BANKING

DEPOSITS MADE WITH OFFICES OF THESE COMPANIES IN JEESEY AND GUERNSEY ARE NOT COVERED BY THE UK DEPOSIT PROTECTION SCHEME UNDER THE BANKING ACT 1987. EACH ISLAND COMPANY IS REGISTERED UNDER THE RELEVANT ISLAND LEGISLATION AND IS SUPERVISED BY ITS RESPECTIVE AUTHORITY. THE PAID-UP CAPITAL AND RESERVES OF THE TWO COMPANIES ARE RESPECTIVELY JEESEY: OVER 45MM, GURRNSGY: OVER 45MM, LATEST AUDITED ACCOUNTS ARE AVAILABLE ON REQUEST.

The application of strict regulatory standards and the political stability offered by the islands are prime factors in gaining the confidence of both banks and their clients.

As Mr Martin Chambers, president of Jersey's Bankers' Association, pointed out: "How many places can you go in the

A notable recent development has been the arrival of UK building societies

world and be certain it is properly run and will be there in 10

years time? The days of the indigenous bank are over and the Channel Islands are now trading up, he said. Over 80 per cent of the 60 institutions registered in Jersey have parents that appear in the top 500 world banks.

Deposits in Jersey's banks have resumed a strong upward trend in the past year or two, after pausing during the mid-1980s. Over the year to June 1990 deposits jumped by more than a fifth to £40.6bn, and there was a further rise to \$42.15n during the September quarter. There was speculation that Jersey branches of one or two banks with Middle Eastern connections, such as Standard Chartered, may have benefited from the flight of capital from

the Gulf. Although Guernsey's deposits are smaller they are also buoyant. From around £13bn at the beginning of 1990 they climbed to £15.5bn by the end of September as the full impact of the recent increase in the number of banks became

apparent.
High sterling interest rates have encouraged many private investors to stay liquid, and interest rates have been rising for the D-Mark and yen. With stock markets around the world so uncertain, a lot of professionally-managed money is also sitting on the sidelines in

bank accounts. The islands' banks have much in common with each other and many offer private banking, trust and company administration, corporate hanking, investment and offshore services for private and corporate clients. Banks say clients appreciate the concept of one-stop financial services

Private banking is on the increase for high net-worth individuals. It offers the client close personal contact with a banker who can advise on all aspects of his or her money

Jersey's regulation of under-



BANKING

Emphasis on quality

Quernsey: number of banks and deposits									
Year-end Number Deposits of banks (Ebn)									
1980	43	1.8							
1981	42	2,7							
1982	41	3.3							
1983	41	4.2							
1984	45	5.8							
1985	47	7.2							
1986	52	9.5							
1987	54	8.8							
1988	56	10.2							
1989	57	13.0							
Sept 1990	70	15.5							

takines law to control immi gration, has forced banks to be more selective in the types of business they handle as they shed or re-locate labour-inten-

While this is aimed at increased profitability, Mr Chambers has some reservations. "Development projects require greater commitment in the beginning and I hope we are perhaps not re-locating some of our future profitability at the same time," he said. Regulatory requirements are than those laid down by the international Group of Ten Committee of Banking Supervi-

Mr Colin Powell, Jersey's economic adviser, said the G10 minimum standard of 8 per cent of assets for core capital was an embarrassment for the island because in Jersey it already averages 15 per cent. Mr Peter Crook, superinten-dent of banks in Guernsey, said the minimum standard in Guernsey is 10 per cent of

Guernsey is keen to draw more "managed" banks to its shores, banks which have no physical presence but which are managed - almost like a large individual account - by hanks already established. The islands' authorities see

this as a way to raise banking output without unduly incre ing the pressure on limited staff resources and space, and managed banks have recently been arriving at the rate of one a month. Jersey has five managed

nks. Mr Powell said they will only accept branches of banks as it is important they are seen to be in a relationship with high and even more rigorous their parent that does not

"Such schemes are basically to defend the weak and at the end of the day the depositor pays

He said Guernsey's banks are large international banks so depositors do not need a protection scheme. He sees the island as a

deposit-taker and as threequarters of funds taken there are routed to the London money market, it is a low-risk

centre. A notable recent development has been the arrival of

Deposits in Jersey's banks have resumed a strong upward trend in the past year or two

UK building societies in the

Channel Islands.
The two biggest, Halifax and Abbey National (the latter now actually a bank) have gone to Jersey. In addition there are five building societies operat-ing in Guernsey; one acts in the local market and the others attract the expatriate market. Limited staff resources have hampered the building societies' capacity to handle small

accounts so the resulting aver-age deposit is £25,000 and the societies rely heavily on information technology.

Transactions are discouraged. "We don't want these facilities used like bank accounts," said Mr Crook. He added that the performance of the building societies in Guernsey was still being assessed, and it was too soon to say

would prove worthwhile for The potential attraction of the building societies to the Channel Islands is that they have the ability to attract large volumes of savings from Brit-ish expatriates around the world. This is especially so while sterling interest rates

whether building societies

remain so high. But Jersey and Guernsey regulators are much less keen on the idea that the offshore branches of building societies (or clearing banks, for that matter) should aggressively market tax-free deposits to mainland customers. The ending of composite rate tax in the UK, and the introduction of tax-free TESSA accounts, will in any case reduce the incentives for small mainland savers

to go offshore. Mr Crook said banking is on the increase in the Channel Islands and Guernsey has seen 17 new hanks gain representation in the past 17 months, among them was Japan's second largest bank, Mitsul Taiyo Kobe. He said Guernsey only seeks institutions that will enhance the reputation of the

INSURANCE

A captive audience

GUERNSEY has become a world leader in the offshore captive insurance market, second only to Bermuda. The island has attracted captives not only from Britain and Europe but from all around the world and as far affeld as New

The first captive set up in Guernsey in 1922 and is still in existence but the industry really got going in the mid-1970s. Since then, the number has steadily climbed, by about 18 new captives a year, to reach today's total of 187.

The insurance industry employs about 550 people in the island and in 1989 produced 2376m premium income.

A captive insurance industry

is set up as a subsidiary of its parent to underwrite some or all of the parent company's

Corporations are realising the many advantages of having their own captive, which include: obtaining lower cost insurance, enhancing group profits, covering risks difficult to insure elsewhere, greater control over risk management and access to the re-insurance market.

A captive based in a low or no tax offshore location will benefit from faster accumulation of reserves in the jurisdiction where it is incorporated than if it was based in the jurisdiction of its parent.

The insurance industry employs about 550 people on Guernsey

Most captives are run by insurance managers and Guernsey has licensed 24 unrestricted managers and seven restricted managers. Unrestricted managers have several captives on their books. while restricted managers can only act for insurers specified in their authorisation from the island's Financial Services

Guernsey's superintendent of insurance business, said the island targeted captive insur-ance companies as a growth area because they need few human resources.
"There is considerable room

Mr Steve Butterworth.

for captives that don't need staff and at the moment I cannot see a cut-off point," he

Expertise built in this field in Guernsey since the 1970s is Sue Stuart one of the main reasons the



rth: Guernsey

island continues to attract more captives, Mr Butterworth feels. Close proximity to the UK - Heathrow airport is only 35 minutes flying time - is also important. Unlike Bermuda and the Isle

of Man, where there is no tax on insurance companies, Guernsey levies a small tax This, Mr Butterworth said, was not a deterrent as the total cost of the operation is no different. But the perception is and some companies like to be

seen to pay tax."
Mr John Parkinson, managing director of International Risk Management, agreed that some companies want to pay tax for political reasons. "One challenge from the Revenue has been that a cap-

tive was formed off-shore to avoid paying tax," he said. But he felt some business was lost to the island because of the tax

However, the tax is minimal and companies can choose one of two methods of payments.

■ 20 per cent of net profit this can be postponed and payment is triggered when claims are paid and a drawback made into profits from reserves z Sliding scale exempt method, which creates a tax liability of maximum £60,000 tax of £1,000 per £1m on investment income on shareholders

There is a registration fee, payable to the FSC, of £1,300. The commission requires an insurer has minimum share capital of £100,000. Mr Butterworth said some members of the industry would like to see this increased to £250,000 to enhance the island's good repuA minimum solvency margin is set at 18 per cent of the first 25m of net premium income and 16 per cent thereafter. The 75 per cent of assets needed to maintain the minimum soivency margin must be approved by the commission. Each insurer has to submit annually the audited accounts,

a declaration by the general representative and a business

The business plan is formulated by the company and the company must be notified of any changes in it.

Mr Parkinson said the regu-

lations governing the industry were fair, proper and provide a good framework within

which to work".

They were originally drafted by members of the industry who were pressing for a stricter regime.

In such a close community it tended to be a self-regulatory industry. The reputation of one affected the reputation of them all and "the managers don't want any unsavoury characters here", said Mr Butter-

He added that informationsharing between regulators in different jurisdictions was on the increase and plans were being discussed to set up an international data base for this

The managers market their services individually and col-

Unlike Bermuda and the isie of Man, Guernsey levies a small tax

lectively and Guernsey held its second international captive forum this year and plans oth-

Seventy-five of the island's captives have British parents, such as Beecham, Barclays Bank, Midland Bank and electricity and water companies.

The largest is Polygon, set up in the 1970s by a group of leading European airlines. including KLM, SAS and Swissair.

Polygon began life as a pure captive and it now has some 50 people on its staff and is rein suring 80 per cent unrelated aviation business.

The insurance market is soft present and members of the industry say this is a good time to form a captive, to avoid the disadvantages of any future rapid change.



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the market leader, has sold more than 1.500 contracts since March, running to £19m in single premiums and £3.5m in

early in 1991.

THE Channel Islands are always looking around for new offshore financial products and vices and they believe the have found one: the interna-

annual premiums.
Guernsey does not like to lag behind Jersey, but its parallel personal pensions legislation has been delayed by problems with unconnected clauses relating to demostic occurs. relating to domestic occupational pensions. However, it is hoped in Guernsey that the new laws will come into force

office.

tional personal pension plan.

At the beginning of this year
Jersey passed new income tax
legislation which permitted
so-called Article 131(C) plans to
be launched. Norwich Union,

There are subtle differences between the approaches of the two islands. Both want to ensure they gain revenue benefits from the products chanPENSIONS: the search for a new financial product may be over

Tax law points the way

nelled through them, but whereas Jersey has provided that the pension plans must be sold through a resident insurance broker, Guernsey is likely to impose certain modest charges more directly against the investments.

Jersey: bank deposits

carry the responsibilities of a

Guernsey, which has issued

72 banking licences, will not approve any local bank in the

future, only branches and sub-

sidiaries of international banks. The island's Financial

Services Commission does not

tolerate large individual loans,

which are only permitted if a transfer loan agreement is

made with the bank's main

protection scheme and Mr Crook sees no need for one.

The island has no deposit

1981

1985

1987

1989

subsidiary.

(£bn)

13.0 14.0 18.5 22.0 24.0 25.0 26.0 31.0

40.4 40.6 42.1

The variations may partly be explained by the fact that Jersey has no life assurance companies of its own, whereas Guernsey has several, includ-ing Sun Alliance International and Providence Capitol.

The idea of offshore personal pension plans, sometimes called international retirement annuities, is regarded by some as little more than a marketing gimmick. Such products mimic some of the structure of onshore pensions, but with no

direct purpose.

The structure of mainland pension schemes is devised by taxmen in order to tilt the savings playing field in a particular direction, to encourage people to provide for their old age. But the whole point of an offshore financial centre is that there is no tax as far as nonresidents are concerned. So why should expatriate investors want to entangle them-selves with mainland-style restrictions?

One reason is that offshore savers may simply be comfortable with the kind of schemes they are familiar with at home. A more tangible possibility, however, is that if offshore plans are structured in the right way it might be possible

As Mr Rodney Benjamin, a Guernsey partner in consulting actuaries Bacon & Woodrow puis it: "It may be possible to persuade overseas jurisdictions to allow tax relief." Indeed, it is thought that Botswana will now grant tax relief on Jersey's 131(C) contracts.

In the case of the UK, how-ever, the tax authorities have been unhelpful so far. Some of the early Norwich Union sales literature suggested that an offshore plan might be switchable into an onshore personal pension contract. The Inland Revenue has rejected this.

Mr Peter Ellenger, sales manager in Jersey for Norwich Union, says that if a British expatriate returns to the UK the investments in the 131(C) plan will be liable to capital gains tax. The tax could be avoided by cashing up before repatriation, but this might contradict the notion of a life-

ong pension plan.

Mr Ellenger insists that the
Inland Revenue may yet relent.

"It is still possible they may
consider the plan being recertihe says. But nevertheless Nor-wich Union's marketing focus has shifted somewhat. "We are getting more business from for eign nationals and from people who have no intention of

returning to the UK."

A shift of stance by the Inland Revenue in the UK may

be necessary if offshore pen-sion plans under the proposed Guernsey laws are to take off. We are keeping an eye on the situation," says Mr Richard Mahy, marketing manager for Sun Alliance International, "but we do not anticipate that we will find the Guernsey leg-islation useful." According to Jersey financial

intermediary Mr David Spen-cer, of Actus, the volatility of sterling has proved a problem in selling sterling-denominated with profits plans to foreign-ers, but the UK's entry to the exchange rate mechanism may have reduced this obstacle.

There is now the possibility of selling to Continentals," he claims. "These 131(C) plans are more attractive to foreign nationals than to UK citizens planning to repatriate." The profits structure is especially popular, accounting for some 90 per cent of the plans sold by Norwich Union. Mr Ellenger of Norwich Union says that his company was considering a D-Mark-de-

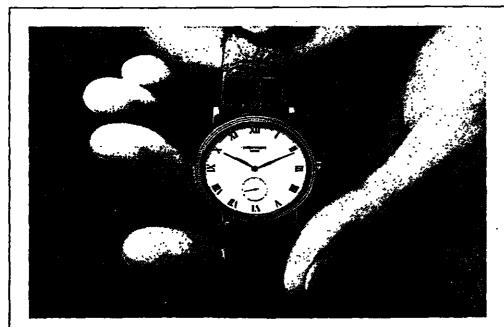
nominated plan but following ERM entry this idea has been Offshore pension contracts are naturally much more flexible than their onshore equivalents, in aspects such as retirement age, cash commutation or the form in which benefits are received in retirement. They are not constrained by tax legislation.

The fact that they are being set up under Jersey (and soon Guernsey legislation) may give comfort to some of the plan-Channel Islands' plans offer anything that could not be found in other centres, where this particular kind of pension plan formula has not been seen as relevant.

The product that many inter national workers might really be enthusiastic about would be one that could be combined with mainland personal pen-sion plans, ideally in different leading jurisdictions, so that contributions could be maintained through alternating spells of onshore and offshore employment. Neither island seems likely to be able to offer such a facility in the near

At any rate, Mr Peter Ellenger in Jersey appears to be unworried by the threat of

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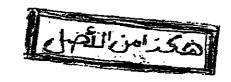


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CHANNEL ISLANDS 3

هكذامن الأصار

udience A hint of recession is detectable in the still thriving offshore funds industry in Jersey and Guernsey.

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The poor performance of the The poor performance of the global equity market has inevi-tably dragged down the overall value of the funds under man-agement, and has trimmed the income of the management companies. The lure of sterling interest rates running at 15 or 14 per cent all this year has encouraged many potential mutual fund investors to keep their money on deposit.

Moreover, the European offshore funds business as a whole is undergoing something of a geographical reorganisation, with the departure of cer-tain Channel Islands funds to other domiciles, notably Dublin and Luxembourg.
But new collective funds

continue to arrive regularly in Jersey and Guernsey, both open-ended schemes, better known as mutual funds or unit trusts, and the much less well-

The islands have the capacity to take on a lot more business

A Secretary of the secr documented closed-ended funds, which are structured like UK-style investment trust

> The bare figures for open-ended funds show that, in the case of Jersey, the number of funds fell by one to 169 during the quarter ended September, and the value (in what was a bad period for stock markets around the world because of the Gulf crisis) dropped from £6.7bn to £5.3bn.

Over in Guernsey the numrise, reaching 147 at the end of September (and now over 150). According to Mr Nigel Taylor,

The offshore funds sector is still thriving, writes Barry Riley

Arrivals offset the doubts

the Guernsey Financial Services Commission's superintendent in charge of fund regulation there remains a two-month queue for authoris-ation, even in the difficult market conditions.

The net asset value of £2.9bn is lower than for Jersey. But Guernsey has more of the highly-regulated funds which are accepted by the UK's Securities and Investments Board for mainland marketing. Guernsey has some 50 of these Class A funds, whereas only 24 are in Jersey's corresponding Recog-

nised Fund class. In each island there is a substantial additional category of closed-ended funds, including various "country funds emerging market funds and east European funds. But because these come under dif-ferent legislation from the open-ended schemes accurate statistics are not maintained. The fund management industries look forward to further growth, especially after the stock market begins to

tion that the political pressure in the Channel Islands for population control must be The islands do have the capacity to take on a lot more business," says Mr Bruce Riley, chairman of the Guernsey Fund Managers Associa-

recover, but there is recogni-

tion and managing director of "What we don't need is a large number of new institu-tions," he adds.

Jersey: open-ended collective funds (30/9/90)							
Fund type	Value (£m)	Holders (000)					
Gilt	687	77					
Money Market	354	10					
Bond	247	1 2					
Commodity	21	1 7					
North American	135	غا					
Far Eastern	133	ł š					
Japanese	281	l š					
Australian	ł. 1	1 -					
European	140	ا ا					
UK Equity	92	1 4					
international	i · 435	16					
Multi-class	2,888	l 34					
Feeder	48	2					
Totals	5,327	168					
		1					

Number of registered companies at year end							
	Guernsey	Jersey					
1980	6,690	13,813					
1981	7,295	15.210					
1982	7,631	16,643					
1983	8,036	18,142					
1984	8,663	19,305					
1985	9,279	20.546					
1986	10.035	21.874					
1987	11,106	22.999					
1988	12.058	25,131					
1989	13,059	26.399					

ing to Guernsey are required to operate through one of a num-ber of established fund administrators, often formerly departments of banks but now required to be separated by the

egulators. For example, Management Thus fund companies comowned by Bank of Bermuda.

Source: Jarsey Statistics Digest and The Groffe and looks after 39 schemes (including closed-ended funds) worth some \$2bn. High value funds are still

arriving, according to its managing director, Mr Christopher Wilcockson. "Guernsey has been very attractive for spesays. "The market has changed here. We are seeing much more in the way of institutional

At nearby Guernscy Interna-tional Fund Managers, a Bar-ing Brothers offshoot, manag-ing director Mr Jeffrey Burton also administers more than \$2bn worth of assets, though for around 100 different entities, not all domiciled in

Such management companies often operate internationally, as has been demonstrated by GIFM's recent decision to set up a subsidiary in Dublin's new international financial services centre.
"We took a decision to go to

Dublin rather than Luxembourg," says Mr Burton. "Then Barings decided to rationalise its funds. Twenty funds from five jurisdictions are being consolidated in Dublin from January 1." These include three funds transferred from Guern-

Channel Islands fund managers accept that Luxembourg and Dublin are better locations for retail funds that are to be marketed as Ucits (Undertakings for Collective Investment in Transferable Securities) within the European Commu-

Inty.

In Jersey, for example, Wardley – part of the Hongkong Bank Group – has packed its bags and gone to Luxembourg, and Fidelity has taken most of its funds off to the same destimated.

But Mr Hugh Ward of Capi-

Scotland offshoot, who is dep-uty chairman of the Jersey Fund Managers Association, claims that the island is in

"pretty good shape".
"The Channel Islands are attracting a lot of business in institutional funds and closed-ended funds," he points out. "There is scope here for spe-cialist schemes such as mezza-tine funds and such as control nine funds and venture capital funds. Luxembourg is not so good yet for this type of fund."

But retail fund management companies are often being forced to make some quite harsh choices. Robert Fleming, for example, has abandoned its Save & Prosper brand name for its Jersey unit trusts as part of an offshore reorganisation, and its Jersey office now reports to Luxembourg rather than to London.

"This is designed to elimi-Mr Trevor Falle, Fleming's marketing director in Jersey. Sales territories are now

The fund management industry looks forward to further growth

clearly divided up. "We now have a sterling base in Jersey and a non-sterling base in Lux-

embourg."

It is the retail funds invested under the greatest pressure. But elsewhere Mr James Jen-kin, in Jersey's Commercial Relations Office, notes that specialist funds in for exam-ple, oil or financial futures, or

gold-linked funds, are more

"People are constantly inventive," he says. "There has been a lot of investment in these kinds of vehicles, with the stock market weak."

active.

ALDERNEY

Tentative steps on the path to a financial centre

THE TINY island of Alderney, just 3% miles long, has set itself the task of becoming an international finance centre. But its government's aspira-tions are far more modest than those of the governments of its sister islands, Jersey and

Guernsey.

Alderney is part of the Bailiwick of Guernsey and enjoys the same tax laws. However, it has to manage its own finances and, for the first time since the last war, is facing a budget def-icit. Its main source of income, ut £2½m, is income tax levied on individual residents. many of whom are retired and

living off their investments. Options for generating income are extremely limited in such a small space and where the population numbers just over 2,000 people. Hence, the decision to emulate its larger neighbours.

In fact, Alderney is already dipping its toes into the waters of offshore finance and several professional financial services can be found in the cobbled streets of St Anne, the island's small town.

The arrival of Portman

Channel Islands, a wholly-owned subsidiary of Portman Building Society, in Alderney Building Society, in Alderhey in October this year was much heralded by the local authority. The commitment by Portman, the 14th largest society in the UK, is hoped to encourage other reputable institutions to consider Alderney as their Channel Islands' base.

Portman offers accounts for local residents, expatriates and international investors from this offshore base. The office has two permanent personnel and a manager who visits once a week. This is very much the

style of operation that Alder-ney is seeking.

Mrs Eileen Sykes, vice-presi-dent of the island's legislature, said: "Although we have very little unemployment we do have a pool of clerical staff and managers would have to be brought in to the island. We are seeking businesses that use communications technology and are not labour-intensive.

ditionally-designed purpose-built office complex in St Anne. Also housed in the 17 offices are a firm of lawyers, a estate agents handling the complex. Although it is a private development, the local authorities are keen to pro-

parent company was established in Jersey 25 years ago but the need to expand led the company to open its Alderney office in 1988. Ms Barbara Kalman, a lawyer and director of Dubarry, said the island is an efficient place to be based. "We only need the telephone, fax and a modem link and we can work worldwide," she said.

Another Alderney-based institution with clients worldwide is Guinness Flight and Calder. Mr Douglas Calder, a lawyer, spent 20 years in the Cayman Islands, where he was instrumental in those islands development into an offshore

finance centre. He returned to Alderney four years ago and sees potential for the island in the financial services field. He said it has most necessary attributes, such as English language, political stability, decent legal system and geographical posi-tion. He said it needs new company and trust laws and a new

"Alderney could attract first class trust, law and accountancy firms worldwide and cubicle banks that could be run by trust companies," he The need for new company

Options for the generation of income are extremely limited

law is reiterated by Mr Roger Featherstone, an accountant in the island since 1982. He pointed out it was possible for

him to get a company in the Caribbean in a day but in Alderney it takes a week. Not everyone welcomes the prospect of expansion of financial services in the island. Mr Peter Nunn. who runs incham International, which handles international insurance, investment and financial planning feels the sector is as big as it can ever be. He expressed doubts about the ability to put the required infrastructure in

place and about staff recruitment, the latter because of the lack of residences. However, Mrs Sykes said there was sufficient property available and no restrictions on residency. Prices for residential property in Alderney range from £100,000 to £500,000.

It is doubtful whether such a small community, where business life revolves around the local shops, three farms and a fishing fleet of nine boats, shock of a full-blown financial services sector in its midst. But limited expansion in the type of services already suc-

sfully operating in Alderney could generate sufficient income to ensure a healthy internal budget for the island, while retaining its charm and quality of life. It is these two latter attributes that attract the retired island residents whose income tax constitutes such a large portion of Alder-

REGULATION: the search for respectability. Barry Riley investigates

A haven for mainland supervision levels

THESE DAYS, offshore financial centres need to be respectable. So whereas once the whole point of offshore havens was that they were free of regulation, today they tend to boast the same kind of financial supervision commissions and extensive legislation as mainland jurisdictions. One convenient side-benefit

is that the regulators in places such as Guernsey and Jersey can turn out pages of statistics where once there were only guesses and evasions. But it is not quite the same,

of course, as being conshore. The regulations are not usually quite as tight, and there may be unregulated as well as regulated sectors. For example, what goes on in the shadowy offshore trust business in the Channel Islands is still largely unknown. There are also different categories of investment funds, some suitable for marketing in the UK and some not.

The history of the offshore finance industry in the Channel Islands is still quite short, going back to the 1960s. Origi-nally there were significant name there were significant numbers of purely local firms, sometimes of dubious reputation. The first phase of the regulatory process involved the gradual squeezing out of these offshore enterprises and the encouraging of respectable mainland institutions to set up in the islands. In this way the Channel

Island jurisdictions could effec-tively piggy-back on mainland regulators. Whichever banks or investment firms were authorised in the UK or the US or other well-supervised countries could safely be allowed to set up in the offshore centres. An informal network of con-tacts between the onshore and

offshore regulators has been established, so that information can be exchanged on a

confidential basis.

For Jersey and Guernsey this approach has brought regulation on the chesp. But it is not always wholly satisfactory because it leaves the offshore centres atill exposed to main-land inadequacies. Small prob-lems onshore may translate into big problems for the off-

shore centres.

Fortunately for the Channel Islands the brunt of the Barlow Clowes scandal was borne by Gibraltar, but more recently this year's mainland bankruptcy of the British & Commonwealth Group has created problems. Investors in the Channel Islands have had substantial deposits (some £20m in Guernsey) frozen in the local subsidiaries of B & C Mer-chant Bank, which has been suspended for some months by

the Bank of England. In most circumstances mainland banks in leading jurisdic-tions can be regarded as safe, but at present the risks are unusually high. And the deposit insurance schemes which provide a safety net to mainland bank customers do not extend to Jersey or Guern-sey. In non-banking business sectors the passage of the Financial Services Act 1986 in the UK posed a large challenge to the Channel Islands, and the islands have also needed to respond to the developing leg-islation of the European Community as it heads towards a single market in financial ser-

vices. But Jersey and Guernsey have adopted different structures. Jersey has been content to retain financial regulation within its civil service, but



John Roper: further spage over Japanese rules

some three years ago Guernsey set up its separately-consti-tuted Financial Services Commission. Elsewhere, the Isle of Man has also adopted the principle of a separate regulatory

Does Jersey need such a commission? "We haven't seen the need up to now," says Mr Cohn Powell, economic adviser

cover its costs. enough to cover running costs



civil service pay scales. This posed problems in Guernsey several years ago, but the GFSC was able to recruit outsiders at competitive rates, on the argument that it would be able to charge fees sufficient to

Indeed, in 1989 the fees it charged of £585,000 were just



to the States and Jersey's top civil servant; "But that is not to say it won't happen at some time in the future." An important question is whether adequately skilled staff can be attracted within

of £598,000, and taking into account other income the com-mission turned in a surplus. Another point is that whereas Jersey has big bank-ing and mutual fund sectors it does not have the third leg which Guernsey possesses in its offshore insurance business.

Guernsey regulators also argue that because they are slightly detached from the political and civil service framework practitioners are more likely to approach them for informal advice.

However, this points to a possible conflict of interest for offshore regulators. They are there to protect the reputations

of the islands — but they are also expected to promote the narrow business interests of the island communities, effectively to help lift revenues, including the tax take, without raising the demand for scarce labour. They do not have a simple investor protection brief

Investments Board in the UK. A potential conflict has arisen, for example, over suggestions that certain banks should strengthen their management by appointing finan-cial controllers. But this would mean that experienced main-land executives would need to be recruited and brought over - something to which the local politicians would be

fiercely opposed.

In fact the regulators may actually be used to fight battles on behalf of the local financial communities. A good-example is the long-running argument with Japan over whether Jersey and Guernsey funds are eligible for sale to Japanese citizens in the same way that, for example, Luxem-bourg funds are.

It has all hinged on an obscure Japanese rule that overseas funds must be domiciled in a member country of the Organisation for Economic Co-operation and Development (OECD). According to Mr Powell's recently-published annual report it has finally been established that Jersey and Guarnsey are covered by the UK's ratification of the OECD Con-

With the benefit of this dec laration negotiations are continuing to obtain the agree-ment of the Japanese anthorities that Jersey mutual funds may be marketed to the residents of that country," says Mr Powell.

But according to Mr John But according to Mr John Roper, director general of the Guernsey Financial Services Commission, a further snag is that the Japanese rules do not extend to an OECD member country's possessions. This would seem to rule out the

legal arguments continue. Another battle of recognition is being fought with Luxembourg over whether Guernsey A class funds, which are accepted by the UK as being covered by an equivalent level

of regulation to similar main-land funds, should qualify for listing on the Luxembourg Stock Exchange.
Snags have been experienced

by a Guernsey merchant bank in obtaining a Luxembourg quote for one of its funds, and Mr Roper has written to the Institut Monétaire Luxembourgeoise to seek clarification. At any rate the regulators are now well entrenched, and are less unpopular than might be expected, given that these were previously free-and-easy financial centres. One Jersey

financial intermediary, Actus, has joined the UK regulatory body Fimbra, one of only two Channel Island firms to do so. This voluntary action adds credibility, says Mr David Spencer of Actus, and he is worried that local regulation does not yet extend to the financial intermediary sector.

UK colonies, but technically they are not, being direct pos-sessions of the Crown. So the

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mote its occupation by financial institutions. Just across the street are the offices of Dubarry Trustees, a firm providing trustee and financial services to a worldwide client base. Dubarry's parent company was estab-

ney's income. Sue Stuart

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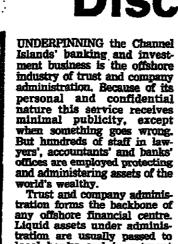
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Discretion is the better part of value



local banks and investment

institutions, thus providing a substantial part of an offshore

centre's deposit base. Expertise developed in this

field over the past decades, coupled with the presence of top ranking banks and investment institutions, has made the Channel Islands first The home of the ruler of Sark where the lordship is hereditary worth individuals.

development

marina, hotel and self catering

accommodation, housing and

Guernsey also faces develop-

ment problems. The island houses a population of 60,000 in

24 sq miles and has tackled

immigration through a hous-

ing policy.
About 1,600 houses are on

the open market register.

These are the only properties on the island available to

someone without residential

qualifications or a licence to

work. The prices of these properties are kept artificially high,

the lowest in the range is

Guernsey suffers from exten-

sive ribbon development that took place after the Second World War. Farmers looking to

raise capital sold fields next to the roads for housing projects.

is that driving around the bun-

galow-lined roads and lanes the island begins to feel like

one large village.

Development in St Peter

Port, the main town, has been

restrained. Looking up at the town from the harbour there is

little obvious evidence of the

thriving business community it contains and its delightful

character has been retained. Mr Michael le Tissier, chief

executive of Guernsey's island

development committee, said

their new development strat-egy is to restrict any large ini-tiative in rural parts of the

island. The island's housing

needs will be concentrated in what has become known as

"the corridor", the area between St Peter Port and neighbouring St Sampson.

VOLAW TRUST

about £200.000.

sure facilities.

Recent newspaper articles in the UK about the use of offshore trusts by wealthy UK residents to avoid capital gains tax have rekindled fears that the British Government will take corrective action in its next Budget. There was already a round of beat-the-Budget trust formation last winter. But existing trusts are unlikely to be affected, and these days the Channel Islands reach out to a global clientèle. Trusts in Britain were known as far back as the 14th century, when a knight granted life interest to his servant to farm the land. The main purpose of trusts was always to provide protection for those who could not protect themselves. But since the 1940s trusts have been recognised as

legitimate tax planning.
Mr Charles Parkinson, of Pannell Kerr Forster in Guernsey, said trusts form a main part of accountancy and bank-ing business in that island.

having broader uses as part of

"Ideally trusts are formed with assets that have not yet really appreciated," said Mr Parkinson

The subject matter may be or become a share portfolio, so then trustees employ a stock-broker. But since the market crash most now sit on cash deposited in local banks.

A trust can last up to 100 years and has three parts, the settlor, who gives the asset; the trustees, who administer the asset according to the settlor's wishes: the beneficiary, who ultimately receives the asset. There are four main types

• Freezer - low value asset put in trust which later realises high value and thus defers capital gains tax Accumulation and maintenance - provision for the next Life interest - settler

retains income for life and the trust has power to return capi-tal to the settlor so defer capital gains tax

Conventional discretionary - UK residents' tax planning years Jersey has established arrangement.

or avoid capital gains tax, though it may provide opportunities for deferring income tax. Jersey introduced new trust law in 1984 and Guernsey in 1989 and professionals in both islands say this has helped them considerably. Mr Clive Barton of Moore Stephens, president of the Jersey Society of Chartered and Certified Accountants, said the new

law helps when there is any uncertainty in the trust deed.

Moore Stephens' expansion in Jersey is indicative of growth and trends in trust and company administration business in the Channel Islands. In 1974 they had five staff and cileats were from the UK, non domiciled but resident. Now they have 75 staff and their work is almost entirely inter-national with very few UK

Mr Barton said: "Over the

The main reason for setting has never been a tax haven. I always think of tax havens as up a trust offshore is to defer

banana republics. Offshore companies are often run in harness with trusts, usually to provide an additional layer of protection for the assets.

There are two types of com-pany available in the Channel Islands - exempt and resident. Exempt companies pay an annual duty fee while resident companies pay income tax.

The corporation tax com-pany has been eliminated in both Jersey and Guernsey. Its demise also marked the end of the "Sark lark", a feature of non-Channel Island resident companies that was embarrasing the authorities. The neighbouring island of

Sark is a different jurisdiction and its residents were paid fees to act as nominee directors for Jersey and Guernsey corporation tax companies. Board meetings of these

side the two larger islands, so there was a steady flow of lunchtime visits to Sark to comply with regulations.

While most professionals and those in the authorities are pleased to see the end of this ritual, no doubt some Sark residents are not so happy with the cut in their income

As well as lawyers and accountants, banks also offer trust and company administration services. Mr Richard Moseley, managing director of Mid-land Bank Trust Corporation in Jersey, said they are doing more international business now. Many clients come through Midland's private banking arm or already have banking arm or already have large deposits with the bank. Mr Moseley also feels the UK's perception of offshore has improved. But next on their list is 1992 and Europe and he

said they are addressing how

CONSTRUCTION

Pressures on space

EXTREME pressure on space for commercial and housing has forced Jersey and Guernsey to restrict further maximise the potential of exist-ing commercial buildings per employee and a wider use of information technology. I do not want to see the

island expanding to become an unpleasant place to live in," said Senator Reg Jenne, president of Jersey's finance and economics committee. Equally I do not want to see us going backwards and standards of living reduced. The immigration policy,

known as "zero job growth", was adopted by the States of is to reduce the current rate of about 800 new jobs a year to nil

To achieve this they intro-duced the Regulation of Under-takings and Development Board. Any business wishing to expand has to obtain permission from the authorities to do so by convincing them of potential increased profitabil-ity. While this has placed great pressure on many busines it has also encouraged them to far greater use of information

technology. Every business has to submit to the authorities quarterly returns on each employee's profitability. This has disgrun-tled some in the trust and company administration sector and investment institutions. They feel this enables other to demonstrate greater profitability although the source of the

funds was themselves.
The supply of office space coming into the market is tightly restricted and Mr David Evans, partner in Healy and



Senator Jeune: wants to

Baker, estate agents in Jersey, said it is "pretty old-fashioned and inferior".

He said the States' encournt to concentrate on productivity per employee will lead to an uplift in standards and rentals, currently £15-18 per sq ft. "Businesses need good quality staff to comply with requirements, so they will need the best environmental and working conditions."

Construction of new offices

requires a development permit. To acquire this, the agent needs to demonstrate a permanent letting of at least twothirds of the space to occupiers approved by the authorities. The occupiers also have to obtain their own permits to

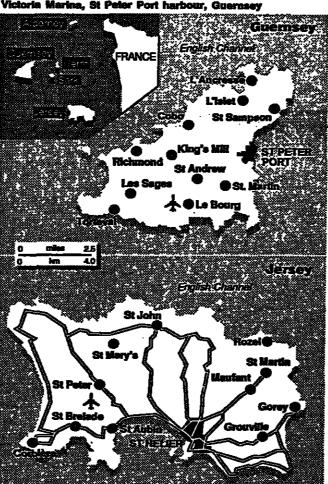
occupy and employ staff.

Mr Evans said it is diff when it succeeds, "from an agent's point of view you feel you really have achieved some-

Jersey covers 45 sq miles and has a population of 86,000. St Heller, its main town, appears to have developed in a rather

the country and coastal areas the island's beauty remains unsullied by any tasteless It was not until 1980 that Jersey set out a policy section in its island development committee. Prior to that, design issues were not addressed said Mr Peter Thorne, acting director of the department of planning and building control. A development plan for the whole island was approved in 1987. Mr Thorne said a multimillion pound plan for developof the waterfront area in St Helier was under discussion. It would incorporate a yacht

Victoria Marina, St Peter Port harbour, Guernau



staff resources. Natural beauty visitors, but low-cost travel to the Mediterranean has turned high-cost destination for UK visitors.

authorities have long recognised the importance of a bal-

anced economy.
"We need the twin pillars of finance and tourism, it would be absolute folly to rely on one industry or the other, or to put all our bets on finance, which is vulnerable to events elseimportant," says Jersey's Sena-tor John Rothwell, tourism

that increased productivity by individuals and businesses is the only option for expansion. The authorities do undertake research into their tourist products and market trends.

Their role is mainly advisory

to those in the industry and they do not liberally hand out grants for new schemes or improvements. "At the end of the day, it is their choice whether they upgrade and stay in business," said Senator

Though the islands still get traditional summer family holiday-makers, growth in the industry has concentrated in the early and late seasons. "The holiday period does not

A more mature market

TOURISM: end of the bucket and spade era

TOURISM in the Channel Islands is becoming more pro-ductive per tourist, as the islands' balance dictates of the market against their limited and temperate climate have long ensured a healthy flow of the Channel Islands into a

The "bucket and spade" era has passed and the islands are seriously addressing the need to upgrade their infrastructure to cater for a more mature, discerning market. The emphasis is on retaining the islands' natural amenities while providing good-quality accommodation

About 90 per cent of the islands' staying holiday-makers come from the UK. Jersey, which has 23,625 beds, received 880,000 staying holiday-makers last year, while Guernsey, which has 9,913 beds, received 250,000. In Jersey, tourists' expenditure was about £270m, in Guernsey about £92m.

In both islands, tourism's contribution to gross national product is not far behind that of the finance sector. The

Space is at such a premium

peak now," said Mr Michael Walden, director of tourism in Guernsey. He said the old "bucket and spade brigade" can no longer afford to go there, "There is value here but it is not cheap," he added. The clientele is older and

more affluent than in the past, and the product is more mar-ketable in that direction. Mr Walden said. "We have accepted the product will appeal to a higher socio-econ-

mic group." Mr David de Carteret, marketing manager for Jersey tourism, said it will be impor-tant to sell the island as an overseas destination in the UK market. This is where growth is in the UK travel industry But the islands are looking to increase their share of the

European market. Mr de Car-

teret said he wants to see more spending on marketing by the industry. "The normal rate for hotels worldwide is between 2 notes wornwhole is detween 2 per cent and 4 per cent of turn-over. I believe they are spend-ing less here," he said. Although bed losses on the islands in the past 10 years have run into thousands, the

authorities say these were mostly at the bottom end of the guest-house market. Their the guest-house market the cyclose is in keeping with the evolution of upmarket tourism. Mr Walden over the loss of 1,000 beds in the self-catering

sector, which at one time had 25 per cent of Guernsey's bed stock. He said that sector was the planning laws did not pro-hibit change of use and many houses were sold for first-timebuyer homes. The main problem facing the

The main problem facing the industry is its need to import labour, nearly all of which is Portuguese. There are fears that pulling down Europe's inter-state barriers may result in the Portuguese seeking work in other countries, where conditions will be better.

The authorities in the Channel Islands are urging the industry to upgrade wages and accommodation for its migrant workers to pre-empt this.

Recent reports show an increase in the conference mar-

increase in the conference mar-ket. Although this brings in short-stay visitors, they tend to

be higher spending than holi-Conference facilities are

available for up to 2,000 dek gates and the average length of stay is two or three nights. Last year, Jarsey received 18,000 delegates, who spent an average of £80 per day, and Guernsey received 16,500 delegates, whose average daily spending was £117.

A larger contribution to income in Guernsey is derived from visiting yachts. Last year, over 18,000 boats visited the island, staying an average of four nights, and the income derived was nearly 28m. A survey produced by the teurism authority revealed 40 per cent of boat people's expenditure was on presents or things for

themselves, and 22 per cent on eating on shore.

Jersey has only 220 berths for visiting yachts, but is discussing the development of two marines, which would add a further 1,900 berths. Last ar, the income from Jersey's

boat people was £2.2m. Both islands benefit from excellent travel communications. As Senator Rothwell said: "Any island is only as good as its transport links."

There are air services, either direct or connecting, from the UK, Eire, France, Holland, Germany, Switzerland and Scandinavia. London and Paris are less than an hour's flying-time. In the summer, roll-on rolloff ferries operate from Wey-mouth, Poole, St Malo and Cherbourg. Smaller ferries and hydrafoils run from Weymouth, St Malo and Carteret.

islands are the little yellow aeroplanes of Aurigny Airlines that fly the inter-island hope in 15 minutes all the year round. Even the most fearful passenger cannot fail to be impressed

by their efficiency.

The way forward for tourism in the Channel Islands has been recognised by them as lying in upgrading accommo-dation and amenities. This will enable them to satisfy shorterstay but higher-spending visitors, without destroying the islands' natural resources.

Mr Walden in Guernsey summed up attitudes: "There is a determination to meet local needs by sustaining all that is good about our island, and using that to attract visi-

Sue Stuart

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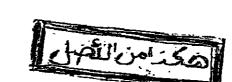
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PERMENDAY IN CHARLER IS A

Shares steady in increased turnover lished INVESTMENT institutions App. H were active in the UK stock market yesterday rounding off market yesterday rounding off their portfolios ahead of the Christmas holiday and the year-end. With only three trad-ing days left before the market effectively hibernates until the dir. PVET **da**∮l. new year, share volumes were surprisingly high, with a £45m Agency of the state of the stat trading programme from a State of the state leading securities house, a batch of tax-loss deals and 100 History. Secretarian de la companya del companya del companya de la companya del la companya de la compan iy ifi some activity in takeover stocks all helping to boost Seaq trading. However, outside these selected areas, genuine investment activity was modill beit The same of the sa 萝卜, 划≥ **新田寺 4年**

The mood of the market continued to change between cautious optimism for the medium term outlook and distinct nervousness over the immediate outlook. News that the UK gov-ernment's Public Sector Bor-

Account Dealing Dates Dec 31 Jan 14 don Declarations: Dec 27 day 10 Jan 11 . Jan 25 Jan 21 Feb 4

"New-Cime deplings may take place from 8.30 mm two besidess days earlier. rowing Requirement (PSBR) surpassed market expectations by rising to £1.3bn last month was even seen to be an encour-

aging investment factor.

Kleinwort Benson Securities, the UK merchant bank, told a conference of institutional investors that it regards the UK equity market as "one of the world's cheapest", noting that in 1991 UK inflation will half, interest rates will fall, the recession will end, oil prices will ease and equities could

benefit from the overhang of which consisted of matched institutional money. which consisted of matched buy and sell operations across

However, concern over the near term outlook continues to unsettle equities, not least the renewed speculation of further cutbacks at leading securities firms, perhaps to the point of some houses withdrawing from equity trading. Hopes for early reductions in base rates con-

tinue to recede. Equities opened briskly yes terday and moved up by nearly 8 FT-SE points as stock was bought back to match several large tax-loss deals operated at the close of Monday's session. The PSBR news at mid-morning encouraged the view that increased government spend-ing may help share prices next year, particularly in the bat-tered building and construc-

The trading programme,

responded to favourable news on US consumer prices in November, the UK market gave back much of its early gain.

The final reading put the FT-SE index at 2,161.8, a rise on the day of 3.9. Seaq volume. incorporating both retail and inter-dealer business, totalled 575.3m shares, against only 333.8m in the previous session. Nervousness over the Gulf situation, where prospects for a peaceful solution appear to

takes over as the operative futures instrument on the first have been reduced with the apparent break-down of plans for direct discussions between the US and Iraq, continued to unsettle underlying confidence in equities. Analysts comday of next year. Today brings the expiry of the December share options contracts, and this also distorted trends in the option market itself. In spite of a firm, if irregumented that over the past month the UK market has on lar, opening to the new Wall Street session, which brought a gain of 11.38 Dow points in London hours as New York several occasions reacted quickly to bad news from the Middle East.

£97m for the year, and Mr Mat-thew Stainer at Hoare Govett commented that "under the

circumstances the results were pretty good". However, there

was no doubt that the first part

of next year would be difficult,

he added. NFC put on 8 to

Morgan Crucible, the industrial materials group, bowed to a downgrading by Smith New Court and closed 7 weaker at 212p. Mr Bruce Davidson at the investment benk out his profits.

investment bank cut his profits

estimates for both this year and next, citing the Holt Lloyd Car Care subsidiary as the chief problem area. The new

figure for 1990 is £60m, down from £67m, while that for the

নিকাশিত প্ৰেল্ডাৰ প্ৰায়ৰ সাম্ভালন কৰিছে লাক্ষাক্ষাৰ মাজৰ বিজ্ঞান হয় হয় হয় হয় হয় হয় হয় হয় হয় বিজ্ঞান হ

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, <u></u>	Dec 18	Dec 17	Dec 14	Dec 13	Dec 12	Year Ago	High	190 Low	Since Co High	mpitetion Low
Sovernment Seco	62.74	82.87	83.37	83,31	83.39	84.16	84.20 (2/1)	74.13 (30/4)	127,4 (9/1/35)	49.18 (3/1/75)
land Interest	91.08	90.93	81.14	91.02	91,17	92.33	92.91 (6/1)	83.60 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	7694.2	1690.2	1701.2	1704.9	1692,2	1652.5	1968.3	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Rold Mires	136.2	140.1	138.8	139.1	141.8	311.3	378.5 (8/2)	135.2 (18/12)	734.7 (15/2/83)	43.5 (26/10/71)
T-SE 100 Share	2161.8	2157.9	2168,4	2172.2	2155.9	2342.1	2483.7 (3/1)	1990.2 (28/9)	2453.7 (3/1/90)	986,9 (23/7/84)
T-SE Eurotrack 100	972.98	972.00	992.71	996.21	993.61	•	1003.35 (6/12)	948.31 (27/11)	1003.35 (6/12/90)	948.31 (27/11/90)
ord, Div. Yield Farning Yid. %(hull) F Ratio(Net)(☆)	6.66 11.81 10.22	5.67 11.84 10.20	5.65 11.79 10.25	5.62 11.74 10.29	5.68 11.86 10.19	4.59 11,21 10,79	1/7/35, Gold	mm 12/83	0/26, Floori I/C. 1 5. Senis 1000 F1 8/80, dr Mr 100	-EE 100 37/12/03
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in the second se **Swedish** claims hit Glaxo

GLAXO was one of the worst performers in the FT-SE 100 after analysis reacted bearishly to a presentation by Astra, a Swedish pharmaceutical company that makes a rival to Glaxo's Zantac - the world's

best selling drug.
Astra claimed the growth in sales of Zantac was suffering in the important US market, as well as in France, Italy, Ger-many and Sweden. Both drugs are stomach ulcer treatments, although Astra's Losec is only approved for acute cases. The company has filed for approval for long term treatment. Analysts at UBS Phillips

& Drew said investors should be aware that Astra's views could be biased. Nevertheless, they recommended taking profits, considering Glaxo had had a good rise in recent weeks on US buying. The shares retreated 11 to 854p, having bottomed at 849p. Turnover was a strong 3.5m.

Increased stake

Burmah Castrol yesterday picked up another 6 per cent of the shares of its bid target Foseco. Two major institutions are understood to have sold the stock, which raised Burmah's total stake to 29.8 per cent. A Burmah spokesman com-mented: This clearly demon-strates that shareholders accept our arguments that the Foseco defence is seen to be without substance." Foseco eased 2 to 294p on

turnover of 10m, a figure which represented double counting of two substantial purchases of Foseco stock by Burmah, one of 4m at 300p cash and another of just short of 1m for the same price. Bur-mah came under pressure as the session wore on and even-tually closed 8 down at 505p, albeit in relatively thin trading of 278,000 shares. Some chemicals specialists

took the view that Burmah could come under pressure whatever the outcome of the Foseco bid. "If Burmah loses out in the bid battle, it will be made to look incompetent after losing its third successive takesaid one analyst.

Burmah previously made msuccessful attempts to take over Laporte and Croda: He added, however, that if Burmah won the Poseco battle, "would it manage the assets

any better than Poseco has?" Yet more brokers' downgrad-ings kept a lid on the stores tor. Analysts are anticipating trading statements from several retailers after Christmas concerning crucial pre-Christmas sales levels.

Smith New Court joined others on Boots, cutting its forecast for the current year from £377%m to £365m after a meeting with the company. Cazenove was also said to have reduced its figures on Boota. Concern over Boots' Payless do-it-yourself business encour-aged the broker to take another look at W.H. Smith which owns the rival Do-It-All chain and was down 6 at 374p. After taking into account the wider malaise in the economy too, Smith reduced its estimate on W.H. Smith for the present year by £2m to £93m and for

next year by £12.5m to £107.5m.
UBS Phillips & Drew down-graded Storehouse, taking its forecast for the current year from £30m to £25m; the stock shed 2 to 108p. Burton were 2 easier at 80p. A block of 6.6m Burton shares in the late pro-gramme trade pushed total volume to 13m. Marketmakers said a line of 3.1m Ratners were placed at 171p. The shares

receded 5 to 174p.

There was selective support for the electricity "discos" in front of what is expected to be a session of much higher turnover as private investors receive their allotment letters and take profits on their scaled-down holdings. Commenting on the day's proceed-ings, one trader in the sector noted: "It is very squeezy at the moment, but we should see a substantial pick-up in action when the hig banks get their systems to click on to the expected flood of small sales."

Yorkshire maintained their 2000î YUL 20 168p on 2.8m, while East Mid-land and Norweb followed closely with gains of 4 each at 148p and 151p respectively on turnover of 3.7m and 1.5m. London, up 2% at 146p on 3.6m, and Midland, 3 firmer at 145p on 3.6m, were also prominent. The Electricity Package added £22 at £1515.

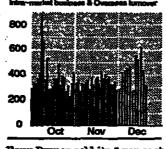
Water issues were broadly higher, but traders described levels of business in the stocks as pitiful. The excellent profits and dividend increase at Wessex, in the news last week as French group Lyonnaise des

CONTROL TRUETS (P).
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AMERICANS (I) CANADIANS (2) EREVERS
(3) BULLIANCS (3) CHEMICALS (2) STORES
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FT-A All-Share Index

Equity Shares Traded Turnover by volume (million)

900



Eaux Dumez sold its 6 per cent shareholding, triggered sup-port for the shares, which rose 8 to 256p. The Water Package was £25 up at £2605.

The revelation by art auctioneer Christies that autumn

season sales had fallen by half sent the shares 13 lower at one point. They recovered to 159p, a loss of 8 on the day. Volatile Sotheby's dropped 50 to 538p.
Shandwick, the public relations group, dropped 10 to 63p.
There was talk of a line of stock overhanging the market.

The market had more than discounted a 36 per cent fall in interim profits to £2.2m from advertising agency Gold Greenless Trott. The shares climbed 7 to 58p. There were numerous heavy individual trades in a banks

the recent barrage of profit downgrades. Barclays, whose shares have been badly mauled by the big cuts in analysts' forecasts, staged a minor rally, closing 4 ahead at 353p on 7.9m, helped by a broker's recommendation to switch into the stock from Lloyds. The latter dipped 4 to 282p on 5.9m. Midland, where the most bearish pundits have pencilled in a meetax loss for the current pre-tax loss for the current year and it is still suffering the after-effects of the cancellation of the merger plan with Hong-kong and Shanghai Banking. **NEW HIGHS AND LOWS FOR 1990**

Computer People, Continuous Stationery, Dean & Sowes, Fistcher Chillienge, Hack-ledustries, Harris (Ph.), Offizans, Rock, United Uniform Services, Whitington, LESUME (3) MOTORS (1) MEWSPAPERS

United Unitern Services, Withungson, LEBURE (3) MOTORS (1) MEWSPAPER (1) PAPERS (6) PROPERTY (4) TEXTILE (2) THAMSPORT (1) TRUSTS (7) OR.2 (4)

fell 11 to 198p on 2.5m. NatWest eased 5 to 264p on 5.2m.

Programme trade activity was said to have stimulated its view that earnings at Tarmac are not going to increase much next year, if at all.

The announcement that IMI has acquired 2. Birmingham M the composite sector. Guardian Royal were slightly easier at 186p on 4.3m and Royals 3 harder at 408p on 1.1m. Com-mercial Union picked up 6 to making an increa for the company latter's price up did not help IMT The issue has be 487p after the group amounced it is maintaining its "with prof-its" borns rates "despite the difficult economic and investthe wake of a nu grades and yeste ment conditions". % to 206p. ERF added 30

More downward pressure on crude oil prices – February continued specu Brent slipped some 35 cents a barrel – did not dent what was possible overses company. Good results a pretty solid performance by the oil majors. cheered the tran

the full range of equities,

helped turnover along but share prices soon began to slip

from their best levels. The Lon-

don futures market gave little

help to the underlying equity

sector. Although the December contract on the FT-SE Index

held a good premium against

fair value throughout, much of the interest lay in switching

into the March contract, which

British Gas shares maintained their recent steady per-formance, still helped by the 50 per cent stake in the encouraging oil discovery made in the Gulf of Suez; turnover in the stock reached a good 12m shares. BP, where 9m were traded

was a firm market and settled was a first market and seather 5 higher at 332p, while Shell were aggressively bought and rose 9 to 459p on 5.1m. Hoare Govett, in its latest oil and gas monthly, highlighted Shell as its preferred stock in the larger oil companies.
The Hoare oil team said:

"Despite the US offer for Gulfnegotiations and confusion over UN resolutions on the Palestinian question, it would be wrong to rule out the prospect wing to rue but the prospect of war, the period to mid-Jann-ary is likely to be volatile." Houre emphasised that the oils sector is "at its slowest point since the Iraqi invasion", and that many of the stocks look "fair value on medium term prospects". Ultramar made good early

progress to touch 3290 before running into a fair weight of selling late in the day - ci ing 2 off at 324p on – amid su company had brought forwa the routine maintenance pr gramme at its Californian re nery because of a narrowing refining margins.

A block of 800,000 shares

Calor was said to have for tured in a big programme tra and the stock settled 5 off 234p on 1.6m. Builders failed to shake

their gloom as brokers cont ued to lower forecasts a hopes for an imminent cut interest rates receded. Tarms which became the latest vict of the downgrades, lost 7 233p after Kleinwort Bens trimmed its profits figur from between £210m to £200 to £190m for this year and fro £240m to £210m in 1991. Mr Jamie Stevenson Kleinwort commented th while the new assessment w "no panic downgrade", a vi to the company had confirm

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much next year, if at all.											
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The announcement that IMI	Various Sections	386	"536	-7	Eastern Elect 23	80 V25	-b	Lifettenii Bank	2500	188	
has acquired 2.2m shares in	AMed - L 1995	. 1.900	47	+2	East Williams Start 3.7	TOD 148	+4	Laidheada Flort,	_ 3,000	144	+2
Birmingham Mint and was	Accessed	3,100		-1	Fig	60 614	- 5	Next	5,209	264	-5
	Anglien Wells'	-52	273 365	**	M	80 60% 100 100	+ 2	Morth West Water	. 2300	265	
making an increased final offer	Argos	150			Ferrent	4 7	+2	Northern Elect	1 200	144	Ξ,
for the company pushed the	Ass. Brit. Foods			-3	Gap, Accident	11 40	-5	Northern Foods	1,100		
latter's price up 9 to 94p, but	BAA	_ \$47	412	+2	Gen. Accident	00 175	-1	Northumbrien Water	307	254	
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did not help IMTs share price.	BET	330		+2	Granad Int	44. 275.	<u>†1</u>	Peerson	53	659 536	7.5
The issue has been easing in	BICC	- 56	蠧	- m	Grand Met	30 44	II.	Protegion	~ i am	袑	
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ERF added 30 at 153p amid	Berisland but.	1700		+1	Hanson Warranta	£ ~ 3	-i,	Rank Org.		10	
continued speculation about a	Bloe Circle	2100	215	-1	Harrisons Grosfield	ध्य छट	-1	Recide & Coleman	42°	1276	-1
possible overseas bid for the	Boots	3,530		-4	Hanter Skid,	D) 434	+7	Redland	267	550	
	Brit. Aerospece	132	529		HBRedown 2.0	쁘	-1,	Reed intl.	, 3,350	305	-2
company.	British Akreeys	2100		- 1	M 11 C U	AN 248	+7	Reg. Elect. Pkg Um	2.000	700	-5
Good results from NFC	British Land				Inchesse			Rolls Royce			-1
cheered the transport sector.	BP	2.000	332	+6	Kinsteher 12	SS 554	-2	Rottmans	11	748	+1
	British Steel		138	+ 52	Ladbrotes	08 254		Pyl Bt Scotland	. 1,030		-4
The company saw profits rise	British Telecom	9,500		+1	Land Securities	22 634		Royal Insurance	. 1,100	444 222	+3
to £97.7m in the year to Octo-	Burnels Control	728		TŘ i	Legal & General 1,1	M 35	IS .	Septem	-3	3212	- L
	Burton 1	13,000		-2	Licente Abban	IDT 308	-i	Substituty	. 1.200	305	2
ber 1990, against £90m in the	Cathe & Wire	2000	455 330	+5	Uoyds Bank	06 282	-4	Scottists & New,	48	364	+7
previous year, while the final	Cardonys	2,700	330	+1	LASUO 20	CO 398	-8	Seattle	12,000	81	
dividend was announced at	Calter Group	1,500	234	-5	Lúndyn Slect 3,6	00 146	+212	Sedgetck	~ 132	230	+3
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1.6p. The profit figure exceeded	Course, Union	اللب		Ŧ}	MS Caradon	# HE		Stell Transport	- 500		
the company's "best view" of	Cookson	1300	101	<u> </u>	NEPC	ā 26	+4	Stabe	312		
**************************************	Courteedda		363	iī i	Nanoquer11	16 20	+4	Stauch Fels			+5

following year is 264.5m, previously £72m. The group usually reports its annual results in suspension of the two waste

The market appeared reluctant to bless the intended marriage of waste management companies Shanks & McEwan and Rechem Environmental Services. More needs to be known why Rechem was willing to talk, commented Mr Robert Miller-Bakewell of County NatWest, as the shares of both concerns gave more ground. Shanks closed 18 lower at 1170p and Rechem 7 down at 573p, after 563p.

management stocks faded com-pletely and other environmental or "green" issues fell back to earth. Leigh Interests was most affected, losing 8 to 307p. Industrial holding company Mosaic Investments responded strongly to impressive interim results. Profits jumped 76 per cent to 23.35m, the dividend payment was increased and the directors were confident of a successful outcome for the full year. Mosaic ended 15 higher at 270p.

16p after reporting extremely poor first half results and warning that the trading out-look for the rest of the year would remain difficult. A shortage of stock contin-ued to help Bass, which ended another 16 up at 1069p. Devenish, the west country-based brewer, rose 10 to 144p after selling three subsidiaries for

CH Industrials tumbled 7 to

■ Other Market statistics, including the FT-Actuaries share index, Page 21

LONDON SHARE SERVICE

fore													
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APPOINTMENTS

Merchant banking chairman Mr M. Victor Blank has

been appointed chairman of Charterhouse, merchant banking division of THE ROYAL BANK OF SCOTLAND, from January 1. succeeding Mr Peter E.G. Balfour who retires. Mr Blank continues as chief executive of Charterhouse. As an executive director of The Royal Bank of Scotland Group, Mr. Blank will also become an executive director of The Royal Bank of Scotland on February 1 when the functions of the two boards are merged.

COMPUTER SCIENCES
COMPANY has appointed Mr
Alistair Crawford as sales director. ■ Mr Vanni Treves, senior

partner of Macfarlanes, chairman of BBA group, and a trustee of the J. Paul Getty Jr Charitable Trust, has been appointed non-executive deputy chairman of MCKECHNIE.

Mr Jonathan Abbott has been appointed a director of LONDON JAZZ RADIO.

Mr Terry Hazell has been appointed divisional director and general manager of

FOSTER WHEELER ENERGY'S Glasgow operations. He was manager applications, and a divisional director.

■ ANGLIA SECURE HOMES has appointed Mr Paul Rudder as a non-executive director. He is a non-executive director of Standard Chartered. He retired from the board of BET ■ DATA & ARCHIVAL DAMAGE CONTROL CENTRE

has promoted Mr John P. Dolg to overseas operations director from UK operations manager. Mr Martin McMillan has been appointed to the new post of risk analyst. · which manifestor



MALLIED DUNBAR, Swindon, has promoted Mr Colin Webb (pictured) from sales director to broker director, Mr Peter Ellen from divisional director

to executive director, training and development; Mr Tony Leeson from divisional director to executive director, financial management advisory department; and Mr Phil **Hodkinson** from actuarial

divisional director to executive director. In the sales divisions Mr Brian Buchanan becomes executive director, Northern Ireland and Wales; Mr Richard Knox-Johnston, executive director, Wessex, Mr Roy Morris, executive director, London; and Mr Sandy Sanderson, executive director, Cotswolds.

■ Mr Patrick Pagni has been promoted to chief executive of SOCIETE GENERALE STRAUSS TURNBULL SECURITIES. He was deputy chief executive, and was formerly in charge of Societe Generale's Hong Kong operations. He succeeds Mr Peter Hogarth who has resigned, but who will continue to assist in the management of Societe Generale's settlement and clearing sub-group in the UK.

Mr Christopher Cheng and Mr Christopher Maunsell have been appointed to the board of VIVAT HOLDINGS. ■ Mr David Lloyd, a director of Sir William Halcrow and

Partners and their chief executive (overseas), has been appointed chairman of BRITISH WATER INDUSTRIES GROUP succeeding Mr Wyan Kenrick of Mowlem International. Mr Adrian White, chairman, Biwater, becomes vice chairman of BWIG.



(pictured), director of sales an marketing, becomes director, marketing and operations at CLERICAL MEDICAL INVESTMENT GROUP, Mr David Arthur, regional manager (north), become general manager sales. Mr Frank Hobson, staff manag becomes general manager human resources following the retirement of Mr Neville Jones, personnel director, Mr Steve Allchin, Mr Chris Dell, and Mr John Popham are promoted to assistant general managers with responsibility for group pensions, life assurance and individual pensions. Mr Roger Corley is retitled managing director, and Mr Robert Walther investment director

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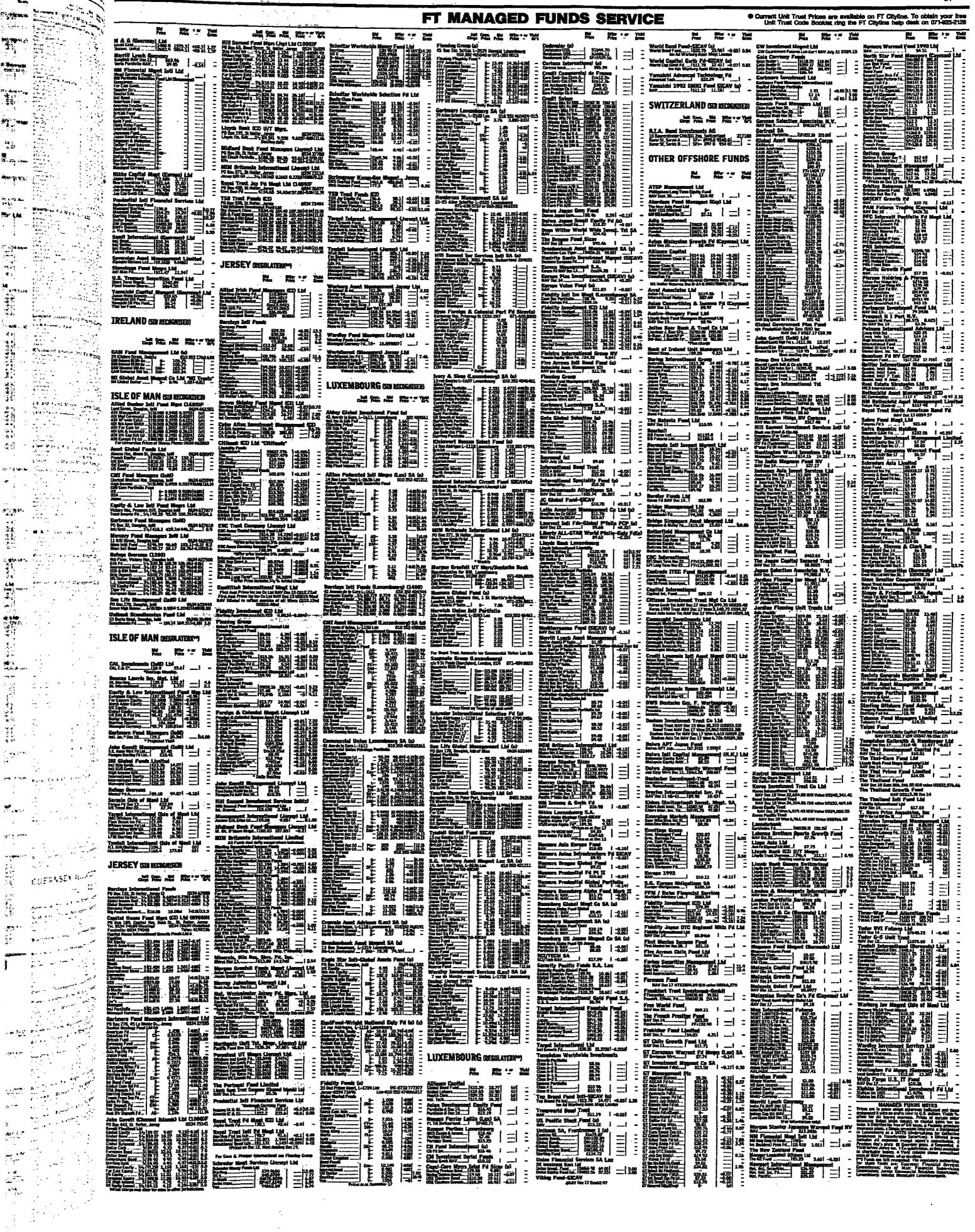
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FEDNISDAY DISEMBER.



Dollar falls on discount rate cut

THE US dollar weakened 0.6 per cent increase in the pre-yesterday after the release of vious month and expectations merchandise trade figures which were worse than the market had anticipated. The yen was lower on Gulf worries, but sterling was steadier after its recent falls.

The announcement by the Federal Reserve Board that its was cutting the discount rate by half a point to 6.5 per cent came too late to affect London tank too take to affect London foreign exchange markets. In New York the dollar fell sharply on the news. The US trade deficit in Octo-

ber widened to \$11.6bn from September's \$9.3bn, and com-pared with an average market expectation of \$9.6bn. A large rise in imports boosted the deficit; the trade shortfall with Japan rose by almost 50 per cent, and there was also a defi-cit with western Europe. The foreign exchange market

has not been paying great attention to US trade figures since the deficit began to nar-row in 1987. The latest figures could be volatile, as can be any single month's outcome, and analysts said yesterday that more evidence would be needed before any firm conclu-

sions could be drawn. The dollar also came under pressure from the 0.3 per cent rise in November consumer prices. This compared with a

Dec. 16 Close Previous, Close						
	1.9420-1. 1.04-1. 2.75-2. 8.70-8 ms and disc	02pm 72pm 60pm 060ts app	1.9300-1.9310 1.08-1.06pm 2.75-2.72pm 8.56-8.50pm by to the US dollar			
		Dec. I	Previous			
8.30 am 9.00 am 10.00 am 11.00 am 100 pm 2.00 pm 3.00 pm		***************************************	933 933 933 933 933 932 932 932			

Dec 18	Bank rate %	Special ** Drawing Rights	European 1 Currency Unit
Sterling U.S. Dollar Canadian S. Austrian Sch Bergian Franc Danish Krose D-Marit Dotch Galibler French Franc Jassese Yes Jassese Yes Jassese Yes Spanish Pesez Swedish Krosa Swedish Krosa Swes Franc	-7 12.82 601, 100, 101, 101, 101, 101, 101, 101,	0.740507 1.6340 1.65670 14.9796 44.1193 8.21337 2.12849 2.44260 7.24288 1607.82 190.662 190.664 N/A	0.766869 1.37092 1.58834 14.3590 42.2276 7.88688 2.04061 2.30177 6.94780 1541.73 182.33 182.33 182.33 183.484 7.68398

CURRENCY MOVEMENTS

Greek Drach 204 N/A 213.150 brish Pant - N/A 0.766860

Dec 18	Bank of England Index	(Morgan ^{ee} Gearanty Changes %
Sterilou U.S Dollar U.S Dollar Canadian Dollar Austrian Schilling Belgian Franc Dankin Krote Dollark Suriss Franc Dotch Cellder French Franc Lira Yen	93.3 60.8 101.9 111.0 112.7 111.0 125.0 116.2 100.1 131.1	-195 -180 -128 -128 -15 -25 -27 -27 -191 -191 -165
Morgas Guara 1990-1992=100. Ba Average 1985=100.	nic of Englar	es: äveräge å løder (Base Dec. 17 .

OTHER CURRENCIES

		. •
Korait Louinbourg Malaysia, Mexico	9677.80 - 9698.85 2.5195 - 2.5215 274.760 - 275.610 6.9520 - 6.9730 297.30 - 302.05 15.0965 - 15.1100 124.80° 1374.20 - 1396.40 404 59.65 - 59.55 5.2285 - 5.2790 5697.80 - 5701.25	3.5896 - 3.5948 154.05 - 156.60 7.8005 - 7.8025 63.50* 714.60 - 720.20 N/A 30.70 - 30.80 2.7000 - 2.7020 2944.00 - 2945.00
Mexico N Zealand Santi Ar Slogapore S.At (Ca) S.At (Fa) Talman U.A.E	567 80 - 5701.25 3.2890 - 3.2930 7.2145 - 7.2685 3.3310 - 3.3385 4.8825 - 4.8945 4.8925 - 6.6755 52.45 - 52.55 7.6425 - 7.1425	
Selling rate		

MONEY MARKETS

UK rates soften 2501m was injected by way of bill purchases, compared with a day-to-day credit shortage of

30 basis points to 10.05 per

cent. The rise brings the rate into line with one, two and

three month paper, which were raised by 25 points to 10.05 on Monday. The increase also follows a rise in market raises

in other European countries.

In Frankfurt call money

rates were trading at an

unchanged 8.40-8.45 per cent.

The drain on liquidity caused by year-end technical factors

and cash withdrawals before Christmas, kept rates firm.

UK interest rates were slightly softer yesterday as the Bank of England adopted a more generous attitude towards the money market's liquidity requirements. A firmer tone by starling also undergined During the morning, the Bank bought £92m of band 1 bank bills at 13% per cent and £203m of band 2 bills at 13%. sterling also underpinned Money dealers said the Bank had been more responsive to the market's credit needs now that speculation about an early After lunch it purchased a further £76m of band 1 bills at unchanged rates. Finally, late assistance of £130m was

assistance of 1130m was provided at undisclosed rates. Among factors contributing to the shortage were bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills, which drained 2383m. A rise in cut in interest rates had waned somewhat. "The message about no early reduction in rates has been hammered home by the Bank which trained 1300m. A rise in the note circulation absorbed a further £200m and bankers' balances below target a further £20m. This was partly offset by Exchequer transactions, which UK clearing bank base leading rate

14 per cout from October 8, 1990 added 250m.

In Brussels the National
Bank raised the rate on four
month paper issued by the
Securities Regulation Fund by in its money market operations

over the past seven weeks. Now that this fact has been accepted by the market, the Bank can afford to be more generous," one dealer said. The three-months inter-bank

rate eased & point to 144-14 per cent. The March short sterling contract fell 13 points to 87.51, indicating that futures dealers expect base rates to fall 1½ points to 12½ per cent by the end of the first quarter of next

For the second day in succession the Bank of England adopted a relatively relaxed approach towards the money market. A total of

ouoted at 7.

of another 0.6 last month.

Before the discount rate cut, Federal funds traded firmly at 7½ per cent, above the Fed's perceived target of 74, as yearend factors boosted rates. In late trade Fed funds were The US currency closed

easier in London at DM1.4840 from DM1.4870; at SFr1.2700 from SFr1.2755; and at FFr5.0550 from FFr5.0900. Its index lost 0.1 to 60.8.

The dollar was prevented from falling further by the weaker yen. The continued weaker yen. The communes uncertainty about talks between the US and Iraq, and more hardline noises from both sides in the Gulf crisis depressed the Japanese currency. Since Iraq's invasion of Kuwait, the yen has usually been the first of the major currencies to be hit by any rise in

c]086 q	unali	D9T9	at Y	133.25
sterling	g rose	to 1	7257.75	from
Y256.7	and	the D-	Mark	firmed
to Y89.				
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the po	and fi	rms. I	But th	ere is

still concern that the economy's slide into recession may eventually force the UK authorities to reduce rates or risk electoral unpopularity. Sterling remained the weakest currency in the European Monetary System, but closed higher at DM2.8725 from DM2.8650 and at \$1.9350 from \$1.9270. It held at \$12.4575 but weakened to FFr9.7825 from FFr9.8075. Sterling's effective index rose 0.1 to 93.3. In New York the pound ended % of a cent stronger at \$1.9425.

Campagy (% Change as great							
}	Ecu Central Rates	Amounts Analys Eco Dec 18	% Clauge from Central Rate	% Spread us Weakest Correscy	Dhergeace Indicator		
ish Peseta erit Godider	133.631 2.05566 2.31643	130.484 2.04061 2.30177	-2.35 -0.74 -0.63	43 261 249	41 47 20		
as Franc Pust n Lira h Krose	42,4032 0.767417 1538.24 7,84195	42,2276 6,766860 1541.73	-74 -743 -743 -743 -743 -743 -743 -743 -	43 249 250 152 152 152 153 153 153 153 153 153 153 153 153 153			
Franc	6.89509 0.696904	7.88688 6.94780 0.709767	0.76 1.85	107 0.00	120		

£ 1/8	Shieray Cray's	Close	One south	92	Tirree augustis	% p.a.
	1927 - 1938 2230 - 2420 3225 - 3425 3225 - 3425 3215 - 3425 11065 - 11920 2549 - 2475 2511 - 2515 1245 - 11736 1245 - 11736 11245 - 1125 11245 - 1125 2517 - 2512 2517 - 2512	1985 - 1985 1985 - 1989 1985 - 1988 1985 - 1988 1986	1.04-1.02pm 0.55-0.42pm 1.1-1.42pm 3-1.42pm 3-1.42pm 4-1.02pm 4-1.02pm 4-1.02pm 5-1.42pm 11-1.42pm 11-1.42pm 11-1.42pm 11-1.42pm 11-1.42pm 11-1.42pm 11-1.42pm 11-1.42pm 11-1.42pm 11-1.42pm 11-1.42pm 11-1.42pm 11-1.42pm	6.37 2.77. 4.34 4.35 3.33 4.96 -0.11 3.29 -0.14 6.53 3.35 3.35 5.38 5.38 5.38 5.38 5.38 5	1.	574 216 336 340 408 -0.62 408 -0.52 150 1438 438 438 438 438
nercial rates taken towards the east of London trading. Six-month forward dollar 5.18-5.13cpm . 12 Month 8.80cpm						

DOLL	AR SPOT	- FORWAR	ED AGAIN	ST	THE POL	LAR
Dec 18	Day's spread	Close	One month	% p.a.	Tirge mortis	% 0.1
Horway France Sweden	30.65 - 30.80 5.7305 - 5.7475 1.4800 - 1.4890 131.40 - 131.85 94.80 - 95.25 1119.00 - 1124.85 5.8175 - 5.8475 5.0425 - 5.0495	1.945 - 1.926 1.711 - 1.772 1.1570 - 1.670 1.673 - 1.670 1.673 - 1.405 1.695 - 1.405 1.695 - 1.405 1.695 - 1.11.50 1.695 - 1.12.50 1.695 - 1.12.50 1.695 - 1.12.50 1.695 - 1.12.50 1.695 - 1.12.50 1.12.50 - 1.12.50 1.12.50 - 1.12.50 1.12.50 - 1.12.50 1.12.50 - 1.12.50 1.12.50 - 1.12.50 1.12.50 - 1.12.50 1.12.50 - 1.12.50 1.12.50 - 1.12.50 1.12.50 - 1.12.50 1.12.50 - 1.12.50	1.04-1.02cpm 0.34-0.37cbs 0.21-0.24cbs 0.21-0.24cbs 1.5-1.25ccs 0.39-0.21cbs 28-38cds 28-37cds 1.40-1.75ccs 0.87-0.32cms 0.87-0.32cms 0.87-0.32cms 0.83-0.32cms 0.026.5pm 0.65-1.25cbs 0.13-0.17cbs 0.13-0.17cbs	627561376438458874888648	279.2 76pm 147-137mm 0.73-0.77dm 151-1044 151-136 160-1446 160-156 160-156 151	5.74.75.2895.74.75.64.75.64.75.64.75.64.75.64.75.64.75.64.75.64.75.64.75.64.75.64.75.64.75.64.75.64.75.64.75.64.75.64.75.64.75.75.64.75.75.75.75.75.75.75.75.75.75.75.75.75.
Commercial I Forward pres	ales taken towards t Hums and discounts a	he end of Landon tra apply to the US dollar	diag. † UK, iretand r and not to the ind	and ECC Ovidual C	se quoted in US o arreacy.	жтевсу.

	URO-CC	THE FIRST	SY INTI	REST	RATES	
Dec 18	Short term	7 Days notice	One Month	Three Months	Stx Months	One Year
Sterllan US Dollar Cas. Bollar Datch Sailster Sorfar Franc D-Mark French French Belgton Franc Yea Danish Krone Asian SSing	141 - 14 775 - 774 1114 - 1117 93 - 93 10 - 93 10 - 93 10 - 93 11 - 93 94 - 95 74 - 74	47-11-6-6-6-15-15-6-7-4 47-11-6-6-6-5-15-6-7-4 47-11-6-6-6-5-15-6-7-4	44 - 84 - 84 - 84 - 84 - 84 - 84 - 84 -	144 - 14 8 - 75 11 - 115 94 - 93 98 - 84 102 - 102 95 - 95 104 - 104 8 - 75	134 774 1179 9 88 103 103 103 103 103 103 103 103 103 103	12:3 - 12:5 - 7:4 - 7:4 - 7:4 - 9:5 - 8:5 - 9:5 - 9
Long term Eurodolfan 85 ₂ -81 ₂ per cust nor	rs: tero years 8-7 pical, Short te	7) percent; thr no rates are cal	e years 83 ₁ -83 ₄ Il for US Dollar	percent; four y is and Japanese	Year, others, to	cent; five years no days' notice.
	EXC	HANGE	CROS	S RATE		

EXCHANGE CROSS RATES										
Dec. 18	£	s	DM	Yen	F Pr.	S Fr.	H FI.	Linz	GS	8 Fr
Š	1 0.517	1.935	2.973 1.495	257.8 133.2	9.783 5.056	2.458 1.270	1238 1.673	2169. 1121	2239 1157	30.75 30.75
OM	0.348	0.674	ll.M	89.73	3.405	0.856	1.127	755.0	0.779	20.7
YEN	3.879	7.506		1000	37.95	9.535	12.56	8413	8.685	200.2
F Fr.	1.022	1.978	2937	263.5	10.	2513	弸	2217	2.299	60.8
S Fr.	0.407	0.787	1169	184.9	3.980	1		882,4	0.911	24.2
H FI,	0.309	0.998	0.887	79.62	3.021	0.799	1	669.9	0.691	18.3
Lirz	0.461	0.892	1.325	118.9	4.510	1.133	1493	1000.	1.032	27.41
C 5	0.447	0.864	1.283	1151	4.369	1.098	1.446	968.7	1	26.57
B Fr.	1.681	3.252	4.829	4533	16.44	4.131	5.442	3645	3.763	100.

100.		Dec Mar Jan	1.9066 1.8828 1.8828	1.9120	1.9028 1.8828	1,9316 1,9026 1,8806
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THREE MONTH ECU ECU Im points of 100%

BANASTERLENG \$5 per £

1-arth. 3-mth. 6-mth. 12-arth. 1-9247 1-9072 1-8834 1-8465

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88.93 89.17

	M	(ONE	/ RAT	ES		
EW YORK			Treasury	Bills and	Bonds	
Dirt						
Dec.18	Overnight,	One -Month	Timp Months	Three Months	Siz Worths	Lookard intervention
ackfest ris ris ris ris ris ris ris ris ris ris	8.35-8.45 9.31-9.43 9.31-9.43 8.3-84 12-124 8.50 101-104	9.00-9.15 101-101- 91-91 9.50-9.60 88-883 141-141- 101-1011	9.05-9.20 1011-1011	9.05-9.20 10.1-10.2 82-91 9.50-9.60 81-81 102-103 111-111	910-9.25	8.50 9.25

<u></u>	ONDO	M MC	DNEY	RATE	:5	
Dec 18	Overalght	7 days notice	One Month	Three Months	Six Months	Ost: Year
nterbank Offer	썁	143 143 143	144	141	132 132 134 134	121 121 121
ocal Authority Deps ocal Authority Bonds	144		145	14 14 14	33	蹈
ompany Deposits	ᄚ	141	134	19141	.E.	Ξ.
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ine Trade Bills (Boy)	! <u>=</u>	=	144	133	骁	=
DP I Inhed Des Offer		<u> </u>	8.40 914	8'úg	7.75	7.ట్లక
DR Linked Dep. Bld		_	32	i šū	9 82	8%
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CO CHECK DED. DIG	- I	-	10½	102	105	10%

Assenge tentier rate of discount 13,0040 p.c. ECGD Fixed Rate Sterring Export Finance. Make up day November 1,1990. Aspetd rates for parted Dec 26,1990 to Jan 25, 1991, Scheme: 14.59 p.c., Scheme: 18 & III: 14.87 p.c. Reference rate for period Roy 30,1990 to Noy 30, 1990, Scheme: N&V: 13.698 p.c. Local Authority and Finance Houses genes days' actice, others seem days' fixed. Finance Houses Base Rate 14 from December 1, 1990: Bank Deposit Rates for some att seven days notice 4 per cent. Certificates of Tax Deposit Cieries 6), Deposit 8100,000 and owner held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per can; sk-size months 12 per can; sk-size months 12 per can; one-twelve months 11½ per cent; three-six months 12 per can; three-six months 12 per can; one-twelve months 11½ per cent; three-six months 12 per can; three-six months 12 per can; one-twelve months 11½ per cent; three-six months 12 per can; three-six withdraws for cash 5 per cent.

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FINANCIAL FUTURES AND OPTIONS FOLIO 4400 & 1967 TILLE TONG COT LILLIANS CALUM LIPPE BOND POTURES OFTENS SM250,000 public of 100% 500 8250 8250 8250 8250 8450 8450 8500 8500 411 322 238 161 126 126 043 043 451 453 363 251 150 150 LIFFE EIMSTOLLAG OFTENS Eim palets of 180% LEFFE SHART STEELING OFFENIS E580,000 points of 100% Surik Price 8500 8525 8530 8530 8630 8630 8630 8630 LONDON (LIFFE) CHICAGO U.S. TREASURY BURUS (CAT) 8% 5100,000 32m2 of 100% ### 97-12 97-19 96-04 95-08 0.7506 0.7494 0.7511 0.7487 0.7506 0.7495 Pre/ 96-21 96-05 96-05 0.6663 0.6682 93.59 83.85 83.85 SWISS FBANC (INGL) SFr 125,000 \$ per SF 1.0w 95.63 Clore High 95,70 95,73 0.7790 0.7790 PHILADELPHIA SE SIS OPTION (31,250 (news per 51) 85.% 87.47 88.34 88.69 88.72 88.64 88.65

Strike Price 1.825 1.850 1.875 1.900 1.925 1.950 1.975 Yeld 9.88 9.82 9.82 9.87 oe 29.777 Total Open Interest 80.419 OFTEN ON LANG-TERM FRENCH BOND ONATEF 0.44 0.44 0.66 0.94 1.32 Jape 0.74 0.98 1.38 1.74 2.85 20,886 117,959 3,96

90,61 90,79 90,79 91,04 91,14 91,14 Low 1597,0 1609.0 1625.0 Estimated volume 6667 (670%) Previous day's open lot. 62216 (62017)

BASE LENDING HATES					
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RHONE-POULENC S.A. USD 300.000.000 UNDATED FLOATING **RATE CAPITAL NOTES**

Chouse Bit of Leadon Pit 14

For the period December 18, 1990 to June 18, 1991 the rate has been fixed at 8,1875% P.A. Next payment date: June 18, 1991 Coupon nr: 9 Amount: USD 413.92

for the denomination at USD 10,000 USD 4139,24 for the denomination of USD 100,000

THE PRINCIPAL PAYING AGENT SOCIETE GENERALE ALSACIENNE DE BANQUE 15, avenue Emile Reuter LUXEMBOURG

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Open int. 6,956 2,070 50 210

The FT proposes to publish this survey on March 17 1991. It will be of particular interest to the 54,000 businessman involved in the decision making about Relocating Premises who are also regular FT readers. If you want to reach this important audience, call Clive Radford 0272 292565 or fax 0272 225974

FT SURVEYS

EMPLOYEE SHARE OWNERSHIP

The FT proposes to publish this survey on 23rd January 1991. It will be of special interest to the 79% of Chief Executive in Europe's Top 2000 companies who read the Financial Times. If you want to reach these important audiences, call Bill Castle on 071 873 3760 or fax 071 873

FT SURVEYS

MONEY MARKET FUNDS perative Bank Top Tier Money Market

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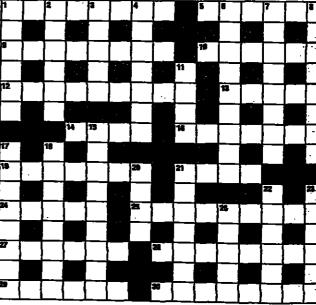
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JOTTER PAD

CROSSWORD

No.7,423 Set by HIGHLANDER



ACROSS Shell fragments are involved in her plans (8)
 Significance people put in evidence of roadworthiness

9 Type of green wrench found

in Ireland (8)

10 Like the heartless naval force behind (6)

12 Running away from work in one's own field (9)

13 Runs river services which can't be intercepted (5)

14 Look out for hole in the ground (4)

14 Look out for hole in the ground (4)
16 Ruse is upset by note being put in circulation again (2-5)
19 Soldier has nothing to send information back about (7)
21 Carry on with payment (4)
24 Caught, trapped by temptation to make money (5)
25 Wearing light shoes completely smoothed outside (9) pletely smoothed outside (9) 27 Emerged with a pay increase on first of Novem-

28 Interminably hot; no remarkable thing in Hawai-ian islands (8)
29 Is inclined to circumavi-

gate river currents (6)
30 Principal needs time off to
obtain capital support (8)

DOWN I Tommy gets rid of one bond 2 Stuff staff use to clean bar3 Clear second in prize money

6 Evacuate from island (?)
6 Following died, heining (9)
7 Train for duty without sign of hesitation (8)
8 Hard metal barrel on end of his arm (9)

stiand metal barrel on end of hig gun (8)

11 The way tax-collectors become active (4)

15 Grasp collar (9)

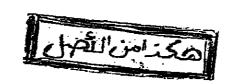
17 Begin with introduction of new law that's strong and reliable (8)

18 Study the Church, I have to believe (2)

believe (8)
20 Unguarded hives perhaps (4)
21 But lose the others? Charming! (7)

ing! (7)
22 Nippers heard part of sentence (6)
23 A fair hearing to determine amount of settlement (6)
26 Audibly permitted in speech

Solution to Puzzle No.7,422



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MARKET FUND

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NYSE COMPOSITE

WORLD INDUSTRIAL REVIEW

The FT proposes to publish this survey on January 14 1991. It will be of particular interest to 54% of Chief Executives in Europe's leading companies and 94% of Captains of Industry in the UK who are FT readers The US Senate and House of Representatives receive hand delivered copies of the FT Daily. If you want to reach these important audiences, call Brian Heron on 061 834 9381 or fax 061 832 9248.

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Discount rate cut sharply boosts Dow in afternoon

Wall Street

STOCKS ON Wall Street were given a sharp boost yesterday afternoon by the news that the serve is cutting the discount rate from 7 per cent to 6.5 per cent with effect from today. This is the first change in the rate since February 1989, when it was raised from 6.5 per cent to the 7 per cent level.

The Dow Jones Industrial

Average was showing a gain of 33.41 by the close at 2,626.73, almost double the rise which it had already notched up during the morning session. One dealer described the market as "just exploding" on the

Volume on the New York Stock Exchange rose to a chunky 176.5m shares, compared with the previous day's 118.6m, while advances on the big board outscored falls by 971

The market had already started the trading session on a good footing. Having seen an unpleasantly high November producer price index last Friday, inflation worries were soothed when the consumer price index for the same month fell exactly in line with the pundits' expectations and prompted renewed hopes of an

easing in interest rates. Senti-ment remained largely unruffled by more disappointing

The interest rate news came as the market was digesting a series of announcements from the US commercial banks. There was some relief when Manufacturers Hanover Manufacturers Hanover declared its regular dividend, in spite of speculation that a reduction in the payout might be on the cards in line with Chemical Bank and Chase Manhattan. Manny Hanny shares ended \$1% higher at \$20%, one of the most actively traded stocks.

However, the focus quickly

However, the focus quickly shifted to the anouncement by Citicorp that it would cut its dividend by 44 per cent, trim staff by 8,000 and declare a fourth quarter loss of up to

Signs that the bank was finally confronting its prob-lems pushed Citicorp's shares % higher to \$14%.

Bankers Trust, meanwhile, said it was increasing its divi-dend by 9 per cent and was rewarded by a \$2% rise in its share price to \$44%. Among the active stocks was

up 3.9 to 3,236.9 but declines led advances by 338 to 275 after

Canada

which has yet to respond to a

takeover proposal from Mr Carl Icahn's TWA containing \$1.50 of cash as well as addi-tional preferred stock, shed %

A statement from NCR, which is facing a \$6.1bn hostile takeover bid from AT&T, to the effect that it was not for

sale to anyone - the first time it has indicated that a "white knight" was being ruled out -

left NCR's shares down \$\% at \$87\%. This is just slightly shy of the \$90 a share offer from the predator.

TORONTO closed mixed in

spite of the surprise cut in the US discount rate in late trade

and subsequent rally on Wall

Edison Brothers Stores, which lost % at 24%. Traders suggested that most of the activity was related to a quar-

yesterday on news of a slowing of money supply growth, although market activity was only modest, writes Emiko Ter-

azono in Tokyo.

The 225-share Nikkei, which opened at the day's low of 24,083.88, closed at the high of 24,424.02, up 336.11, after an afternoon rally triggered by renewed hopes of lower interest rates. First market volume totalled 350m shares, after Monday's meagre 250m, but declines led rises by 474 to 468, with 169 issues unchanged.

The Topix index of all first section stocks rose 11.59 to 1,790.48, although in London the ISE/Nikkei 50 index eased 3.26 to 1,363.04.

The November money supply grew 10 per cent from the pre-vious year, 1.8 per cent slower than in October. "The market had expected November money supply growth to be around 11 per cent," said Ms Caroline Stone at Barclays de Zoete Wedd. The bond market also responded, in turn triggering demand for interest rate-sensi tive stocks.

Buying spread to other largecapital issues, such as shipbuilders and heavy industries. Exporters rose on the weaker

By Tim Blue in Sydney

Steamship, the trading and

investment group, sank 40 per cent to a low of 18 cents in

active trading on the Austra-

lian Stock Exchange, before closing down 10 cents, or 33 per cent, at 20 cents. Trading volume in the stock totalled 2.2m shares, making Adsteam the fifth models.

issue of the day. Brokers said the fall was

linked to continued concern over the company's plans for debt refinancing and corporate

Adelaide

SHARES IN

NATIONAL AND

yen, while construction shares were favoured as laggards. Nippon Telegraph and Telephone climbed Y10,000 to Y1.05m, buoyed by the Ministry of Finance's announcement the previous day that it will sell only 2.5m shares over the next five years, instead of the

investments, dropped Y36 to Y509 on rumours that its loans

issues following reports that a main shareholder in the com-panies had filed for bank-

produce gifts in the Japanese year-end festivities. In Osaka, the OSE average

PACIFIC Rim markets were

the forthcoming exodus of

restructuring. They added that the shares may also have been

put under pressure by a report from Prudential Bache Securi-ties (Australia) advising small

shareholders in the five listed

members of the Adsteam group to "seek a safer refuge for their investment funds". Among Adsteam's main associates, David Jones lost 7

cents to 40 cents, compared with a 1990 high of A\$12.40, Tooth and Co fell 20 cents to 65 cents, Petersville Sleigh dipped 7 cents to 93 cents and

TUESDAY DECEMBER 18 1990

Adsteam drops 33% on concern over restructuring

FT-ACTUARIES WORLD INDICES Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the institute of Actuaries and the Faculty of Actuaries

originally planned 5m.
Itoman, the trading company
with heavy debt from its land were continuing to rise.

The Nagoya Stock Exchange suspended trading in four

receded 162.92 to 26,295.57 on volume of 54.9m share

the Hang Seng index improved 14.73 to 3,066.65. SINGAPORE was mixed in

thin volume. Turnover dipped to \$\$51m from \$\$55m. The Straits Times Industrial index edged up 2.82 to 1,174.40.
KUALA LUMPUR saw continued firmness in plantation shares, but the composite index eased 2.23 to 498.08 in turnover of 46m shares (51m). losses. Volume contracted to T\$33.8bn from T\$38.4bn. The weighted index fell 4.5 per

Grecian tumult ends in subdued optimism

The roller-coaster ride in the Athens equity market this year is detailed by Kerin Hope

premium in the labyrinth of arcades surrounding the Athens Stock Exchange. Expanding Greek brokerages compete for space with increasing numbers of new arrivals, among them mutual fund managers, research analysts and invest-

Among airline issues, American Airlines recovered % to \$49%, having fallen in the previous session on news that it would be issuing new stock next year following its \$445m agreement to purchase certain routes into London from Transworld Airlines. Pan Am, which has yet to recovered to a ment companies.
A tumultuous year on the bourse, which saw the Athens general index surge by more than 300 per cent and then lose more than half of its gain, is ending on a note of subdued optimism. Fears of a Gulf war persist, but local analysts are cheered by the conservative government's decision to launch a three-year economic stabilisation programme in the

new year. Investors recall how a previous austerity package in 1986-87 brought a wage freeze which helped boost private sector profits to record levels. Earnings prospects already look bright for most banks and leasing, construction and food processing concerns.

The capital markets commit-tee, the main regulating body. is flooded with applications from new securities houses

per cent, on continued worries

only limited use in the US.

Among the day's most active stocks, Générale des Eaux fell FFr17 to FFr2,254 with 172,870 shares traded. Pechiney Inter-

national lost FFr7.90 or 5.8 per

cent to FFr129 on 142,690

shares, after a broker down-graded its profits forecast for

the company in 1991. FRANKFURT traded side

ways in thin volume, in low spirits after Monday's drop of

more than 3 per cent. After a

3.97 fall to 637.53 in the FAZ index at midsession, the DAX

recovered to close 1.54 higher

Volume dropped again, from DM4.6bn to DM3.3bn. Ms Bar-

bara Altmann of B Metzler in

Frankfurt said that many bro-

kers, dealers and investors had

after Monday's drop. "There were some good buying orders for chemicals," she said, "but

The best rise in the big three chemicals, accordingly, was DML50 to DM224 at Hoechst.

Further pressure came from a newspaper report that Adsteam would have to repay A\$2,2bn of debt in the next two weeks if bankers did not

agree to the rescheduling.

Adsteam executives could not be reached for comment.

stock market continued to decline, with the All Ordi-naries index losing 12.1 to a 33-month low of 1,283.6. Turn-over came to A\$193m, up from

A\$142m. News Corporation fell 50 cents to A\$5.60.

Meanwhile, the rest of the

about prospects for its Ticlid anti-stroke drug, which received a recommendation for seeking a seat on the exchange. Six new brokerages joined earlier in the year, another five were given the go-ahead this month and 15 other requests are pending. Mr Nikitas Niarchos, the

bourse president, says: "By spring we shall have increased the number of stockbrokers on the floor from 30 to 50 in one year. Computerised trading must be introduced within 1991 in order to maintain investor confidence.

The open outcry system currently in use came under severe pressure this year as daily trading volume soured from less than Dribn (\$6m) last Jamuary to more than Dr5ba in the heady days of June and July. On a busy day brokers were unable to execute more than 25 per cent of orders. Settlements were delayed for weeks, until the Exchange's

bureau to help out. The stock market's rise was triggered by expectations that the conservative New Democracy party would at last win a majority at the April poll. The market shot up 7 per cent the day after the party scraped

indices rebased Greece: FT-A World Index

through with a narrow victory. After starting the year at 460, the index had reached 900 by

the index had reached 900 by the end of April.

Small investors, many from the countryside, leapt on the bandwagon in what one broker called "a frenzy of specula-tion". Three new mutual funds, sold through the provincial bank and insurance networks, secoped up large amounts in fermers' savines and untaxed new central share depository called in a computer service farmers' savings and untaxed income from a black economy currently estimated at 35 per cent of gross domestic product. The index peaked at 1,684 in

July, before a gentle summer correction gathered pace in September. The Gulf crisis had undermined confidence even before Athens lost its bid to before Athens lost its bid to stage the 1996 Olympic Games, sending the index plunging to below 1,000. "Gulf worry and the psychological blow of losing the Olympics set a volatile trend that is still going on," says Mr George Pervanas, a backer.

On Monday the market dropped by 10 per cent at the opening but finished the sesopening but finished the session only 4.6 per cent down at 971.19. The fail was blamed on end-of-year profit-taking. It came after a two-week rise triggered by the government's decision to tax interest on least denotite which brought a bank deposits, which brought a new wave of savings into the market. Yesterday the market stabilised with the index closing up 0.23 at 971.42; turnover has fallen to a daily average of Dr2bn from Dr5bn to Dr6bn seen in the spring.

The hourse's uncertain mood has caused half a dozen Greek companies to postpone plans for launching equity issues in 1990. Twenty-five companies sought listings between January and September, more than

the total for the previous 10 years. Most issues were heavily oversubscribed.

New equity issues and increases of capital by compa-nies among the 120 already nies among the 120 already listed has brought more than Dr100bn into the market this year, "a substantial deepening of liquidity", according to Mr Niarchos. Total capitalisation was expected to end the year at about \$15bn, up from the \$6.8bn of last January.

Mr Panagis Vourioumis of Alpha Finance, the investment arm of a private Greek bank, says: "The foreign institutional.

5

says: "The foreign institutional investors have reduced their holdings, but the market has stayed resilient. This is a healthy sign for the future."

→ he parallel market for smaller companies has proved slow to develop, with only five listings since its establishment last February New legislation, however, lift-ing the capitalisation require-ment from Dr170m to Dr500m for new entrants to the big board should stimulate more interest in the parallel market.

This article begins a short series on some of the most remarkable markets of 1990.

trias Agricolas. Its share price gained Pta85 to Pta2,350 after

425,000 shares were exchanged at Pta2,265 a share. Also active

af P22,205 a share. Also acrive was Sarrio, the paper company, which added Pta13 to Pta636 after 1.6m shares were traded, including several blocks.

COPENHAGEN fell in light trade on fears that the new

centre-right minority govern-ment would not last long. Novo-Nordisk was the most

active share, falling DKr8 to

DKr355. OSLO slipped in basy trading worth NKr547m, boosted by tax transactions.

SOUTH AFRICA

ASIA PACIFIC

Money supply figures lift Nikkei in modest trading

Tokyo

THE Nikkei average moved up

ruptcy. Speculative stocks were heavily sold: Iseki, an agricultural machinery maker weakened Y38 to Y623 and Honshu Paper Y80 to Y2,150. Snow Brand Milk Products advanced Y21 to Y876 on expec-tations of robust sales of dairy

mostly lower yesterday.

HONG KONG gave a muted reaction to Monday's news of

Hongkong and Shanghai Banking. Turnover declined to HK\$881m from HK\$694m and

TAIWAN extended Monday's cent, or 183.01, to 3,919.73.

MANILA sagged as investors sold, sensing that the euphoria over the discovery of oil in the southern Philippines was fad-ing fast. The composite index slipped 18.83 to 655.62 in turnover of 139m pesos (135m). NEW ZEALAND paused after

its recent decline to six-year lows, and before today's eco-nomic statement from the government. Turnover was domibig three stocks and expanded to NZ\$12m from NZ\$11m. The Barclays index shed 2.15 to

BOMBAY fell sharply after the government raised excise and import duties. The BSE index lost 76.81 to 1,111.73.

National Consolidated shed 7 cents to 30 cents. Prudential

Bache said in its December Quantum report: "These com-panies are in the process of rationalisation and little cre-

dence can be given to the financial numbers of any of

Adsteam shares have slumped from a high in Janu-

ary of A\$6.60 on worries about the group's complexity and its ability to service debt levels estimated to be at least A\$4.5bn (US\$3.4bn).

MONDAY DECEMBER 17 1990

the individuals of the group.

Bourses close little changed as holiday nears One of the best rises of the day

BOURSES WERE little changed yesterday, with most ending steady or slightly weaker in the run-up to Christmas, writes Our Markets Staff.

PARIS slipped in moderate trading on the last day of the monthly account, with the CAC 40 index ending 14.58 lower at 1.591.65 — the first time the index has closed below 1,600 for a month.

Sanofi, the pharmaceutical was in the department stores group, Karstadt, up DM8.80 at DM612 in a weak retail sector. Metzler likes Karstadt on fundamental grounds, expecting a good earnings rise this year following the introduction of a central distribution system; but Ms Altmann also said that the stock had seen a size-able decline recently and that Sanofi, the pharmaceutical concern, fell another FFr36 to FFr780 for a two-day fall of 9

yesterday's rise might simply have reflected the conclusion of selling orders.

MILAN ended slightly lower in light trading in spite of a late turnround. The Comit index fell 1.53 to 534.31.

tor was expected to be in focus today following news after the market closed that Sip could raise telephone rental charges for the first time in five years and also increase call charges Ms Melinda Diamond of Bar-ing Securities said the overall increase in Sip's revenues would be 3.5 per cent, at the lower end of market expecta-tions. The real beneficiaries, however, would be the telecommunication suppliers because the extra revenue would ensure that Sip could continue its investment plans, worth L9.5 trillion in 1991, she noted.

Enimont rose L5 to L1,555, cheered by the terms of the bonds that ENI, the state hold-ing company, plans to exchange for the 850m Eni-mont shares outstanding. Under the deal, Enimont shares are valued at L1,650. Standa, the retail chain controlled by Mr Silvio Berlusconi,

eased L250 to L27,800, after the company denied that it would be sold to SME, the state-controlled food group. STOCKHOLM eased in fairly active turnover of SKr273m. The Affärsvärlden General

index fell 7.3 to 869.8. Astra bucked the trend in the wake of an analysts' meet-

ing during which it emerged that Losec, its anti-ulcer drug, was close to gaining approval in Japan. The free B shares rose SKr6 to SKr494 AMSTERDAM was mixed,

the CBS Tendency index rising 0.1 to 95.8. Royal Dutch was the most actively traded stock and gained Fl 1.40 to Fl 130.20. Elsevier, the publishing group, eased 90 cents to Fi 73.90. In a report, James Capel expressed concern that fluctuations in the dollar and a disappointing underlying rate of growth might weaken the shares in the short run.

MADRID edged higher, with the general index adding 0.53 to 234.52. Banco Hispano Americano rose Pta30 to Pta2,695 after a block of 2.75m shares, or 3.3 per cent of the bank's capital, was traded at Pta2,160 a share. There was another block trade in Ebro, the food group which is merging with indus-

GOLD shares eased on weak

bullion prices and ahead of President F.W. de Klerk's address to the nation. The JSE all-gold index fell 18 to 1,111 while the overall index was 13 lower at 2,669. Vaal Reels dropped R5.50 to R180.

This announcement appears as a matter of record only

December 1990



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